The Year of a Fiery Economy

Poland Macro Outlook 2026

PKO Economic Research
PKO Bank Polski
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Summary (1)

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- **#0 The Year of a Fiery Economy.** This year, our report has a slightly different structure. We present our expectations for the development of the domestic economy in 2026 across key areas (GDP, the labour market, inflation, external balance, monetary policy, fiscal policy and the FX market), as well as six important themes that either constitute key assumptions underlying our forecasts or represent significant risk factors to their realisation. Four of these themes concern global issues that are also highly relevant for Poland. What risks does China's trade expansion pose for Europe, and what does it mean for European inflation? Will Germany—or rather the implementation of the German fiscal package—live up to expectations? These two issues will be crucial for the core forecasts for the euro area—covering inflation, economic growth and ECB rates—but will also affect domestic economic processes. A topic that may seem only loosely connected to the real economy is AI, which we examine primarily through the lens of the United States, though not exclusively. Events at the beginning of 2026 clearly demonstrate that geopolitics has, and will continue to have, a significant impact on economies. We therefore devote a separate subsection to geopolitical developments, highlighting in particular those parts of the world where electoral calendars and the distribution of social preferences already point to heightened uncertainty or impending change. A distinct geopolitical topic concerns the potential end of the war in Ukraine and how this could affect the domestic economy and the zloty. The final special topic focuses squarely on the domestic economy and the surprisingly persistent rise in the household saving rate. What lies behind this trend? And are savings increasing across the entire economy? We invite you to read on.
- **#1 Threats to Europe arising from China's trade expansion.** China's development model, based on an intensive industrial policy, has led to a sharp expansion of production capacity and global competitiveness, particularly in advanced technologies and "green" industries. This has resulted in overcapacity, export pressure and falling prices, which further enhance China's competitiveness and crowd out EU firms. Rising imports from China lower inflation in Europe while having a negative impact on GDP. For the EU (including Poland), this implies growing import dependence on China, a shrinking export market and potential pressure on margins, partly mitigated by its role in European supply chains.

Summary (2)

- **#2 When will the German recovery arrive and what will result from it?** At the beginning of 2025, Germany's governing coalition reached an agreement on a debt-financed package of defence and infrastructure spending. This fundamental shift in the conduct of fiscal policy has been accompanied by high hopes for its positive impact on economic conditions. The coming years will also bring higher defence outlays, ultimately reaching 3.5% of GDP in 2029. While the fiscal impulse has boosted optimism (with expectations components in business surveys moving higher), it has so far failed to translate into a tangible improvement in assessments of the current situation, which remain extremely negative. We estimate that the planned fiscal impulse could generate up to EUR 600bn in GDP over 12 years, equivalent to around 1.1% of GDP per year, but only if the funds actually result in new investment. The impact of this recovery on Poland, however, will be limited, which we estimate at around 0.2% of GDP per year.
- **#3 Too high spending on AI?** The United States is the undisputed leader in investment in AI. Experimental OECD estimates indicate that US spending on four selected AI-related areas in 2023 was almost three times higher than in the entire European Union. Investment in AI supports economic activity in the US; however, contrary to some claims, it has not been the sole source of economic growth in recent quarters (with the exception of 1q25). From a historical perspective, the intensity of the current AI-related investment boom in the US is clearly lower than in previous episodes of heightened investment activity. Long-term estimates of the impact of AI on productivity in the US reach up to 1% per year. In general, productivity gains from AI are larger in countries with high labour costs (where incentives to substitute labour with algorithms are stronger) and in economies with a large role for specialised services, where the gains from automation are greatest. This is one of the reasons for Poland's relatively weak performance in European comparisons.
- **#4 (Geo)politics may disrupt the macro scenario.** When producing forecasts, we primarily rely on an analysis of trends and interdependencies between various macroeconomic variables, often assuming that factors external to economic processes—such as political and geopolitical developments—will remain unchanged. The growing number of global flashpoints and rising political polarisation in many countries show that this assumption is overly strong, although this unfortunately does not alter the fact that (geo)political processes are inherently difficult to predict. Germany, France, Hungary and the United States are four countries where the electoral calendar or the current political situation suggests that 2026 may be politically heated, potentially leading to shifts on the political scene and, consequently, changes in economic and foreign policy.

Summary (3)

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- **#5 Prospects for a ceasefire in Ukraine – implications for Poland.** From the perspective of the domestic economy, the course of the Russia–Ukraine conflict is the most important geopolitical factor. Much is being said about peace, although its form remains unclear, which makes it difficult to outline even directional scenarios regarding its impact on the domestic economy. Peace in Ukraine could pose a significant challenge to Poland's already tight labour market. Our estimates point to the potential outflow of around 150 thous.–540 thous. Ukrainian workers, although the timing of such an outflow is subject to considerable uncertainty. At the same time, Ukraine's reconstruction process will be associated with development opportunities for Polish enterprises. In the short term, the end of the war in Ukraine would also most likely support the Polish currency.
- **#6 The (un)thrifty Polish economy.** Recent crises have had a significant impact on household budgets, however, supported by rising wages, public transfers and interest income, these budgets have not only been rebuilt but have also achieved a record-high savings rate. Other sectors have not yet fully recovered from these difficulties, which has prevented them from generating a surplus in the form of savings. Should an investment recovery materialise without parallel fiscal consolidation, it would lead to the emergence of a new imbalance on the current account balance.
- **#7 Investment as the engine of growth.** In our view, economic growth in 2026 will accelerate from 3.5% to 3.7%, driven by an investment-led recovery. We forecast that investment will grow twice as fast in 2026 as in 2025, reflecting not only the inflow of EU funds but also substantial investment needs and increasingly supportive economic conditions, including improved corporate profitability and lower interest rates. Signals of this investment upswing are becoming increasingly visible, both in strongly rising investment budgets and in the steadily growing flow of EU funds into the economy.
- **#8 The labour market – hot n' cold.** The labour market continues to send mixed signals. Contrary to earlier expectations, 2025 did not bring a recovery in labour demand, which weighed on employment growth; however, the main "culprit" remains demographics. Our simulations show that while migration may significantly alleviate shortages stemming from the widening demographic gap in the future, key measures will involve increasing the labour force participation rate, including extending working lives.

Summary (4)

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- **#9 The last stage of disinflation.** In our view, inflation in 2026 will continue to surprise on the downside, although these surprises will be concentrated at the beginning of the year, when favourable food prices and further deceleration in core inflation will drive additional disinflation. In the second half of the year, we expect inflation to move sideways, around 2.5%. On an annual average basis, inflation in 2026 will be clearly lower than in 2025 (2.1% vs 3.6%), but a comparison of end-of-year levels (Dec'25: 2.4%, Dec'26: 2.3%) clearly shows that most of the disinflation process is already behind us.
- **#10 The current account deficit will deepen further.** In 2026, we forecast a further gradual increase in the current account deficit, to 1.6% of GDP from around 1% of GDP in 2025. The deterioration in the current account balance will reflect a somewhat deeper trade deficit than in 2025, a smaller surplus in services trade, and wider deficits in the primary and secondary income accounts. In goods trade, exports are expected to accelerate; however, they will be weighed down by the anaemic recovery in Germany and rising competition from Chinese producers. Imports, in turn, will be supported by strengthening domestic demand, particularly investment. Services exports are undergoing a structural shift, visible in a slowdown in exports of transport and ICT services.
- **#11 The final stage of NBP interest rate cuts.** After NBP rate cuts totalling 175bp in 2025, the scope for further easing in 2026 is limited, though it still exists. The MPC maintains a hawkish rhetoric ("hawkish cuts"), which supports zloty stability. We see the terminal reference rate at 3.50%, with an asymmetric distribution of risks skewed to the downside. Further MPC decisions will depend primarily on the pace of disinflation, the potential for which, in our view, is gradually being exhausted.
- **#12 Weaving fiscal balance.** 2026 may bring the first improvement in the fiscal balance in years, signalling the start of long-awaited consolidation. Although the reduction in the deficit is expected to be moderate, rising public debt and growing spending pressures clearly illustrate the scale of the challenges facing public finances. Finding the right balance between revenue increases, improved spending efficiency and public acceptance of fiscal changes will be crucial.
- **#13 Further weakening of the dollar in the FX market.** We expect divergence in Fed policy (further rate cuts) and ECB policy (rate stabilisation) to weaken the dollar, mainly in 1h26. This, together with solid domestic fundamentals, should support the zloty, which is likely to appreciate in the first half of the year.

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Part One: Special topics

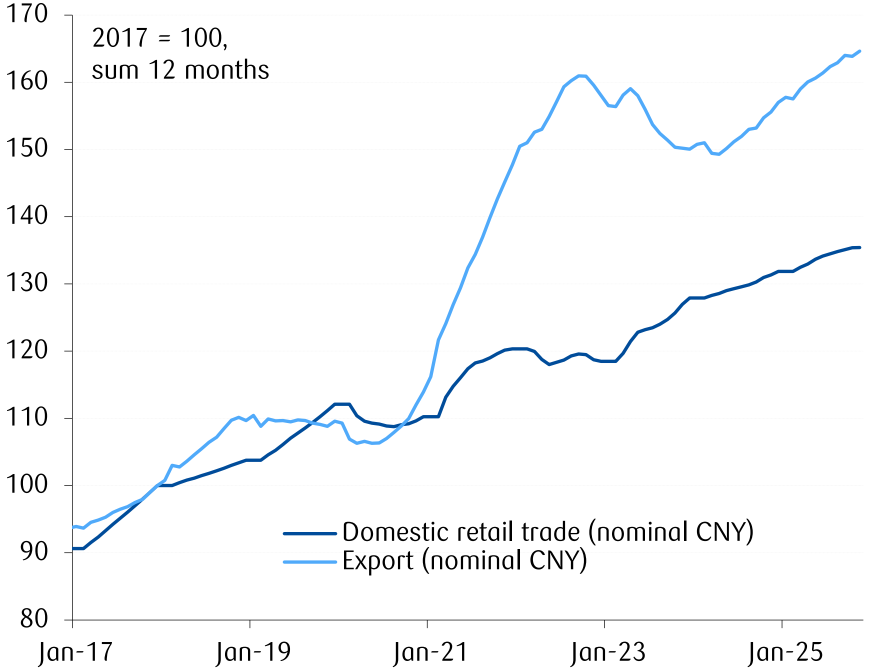
#1 Threats to Europe arising from China’s trade expansion

„Made in China 2025" – an effective strategy for development and for increasing China's economic self-sufficiency

Made in China 2025 – TOP 10 supported sectors

New Advanced Information Technology	AI and Quantum Computing	Automated Machine Tools and Robotics
Aerospace and Aeronautical Equipment	Maritime Equipment and Hich-Tech Shipping	Modern Rail Transport Equipment
Self-Driving and New Energy Vehicle	Power Equipment, Agricultural Equipment	New Materials
	Biopharma and Advanced Medical Products	

Comparison of nominal levels of domestic retail sales and exports



- **"Made in China 2025" is a comprehensive strategy announced in 2015 aimed at reducing China's dependence on imports and foreign companies, while ensuring global competitiveness and technological leadership in selected industries.** As part of the strategy, prospective sectors were identified whose development was intensively supported. Although not all ambitious objectives were achieved, China has made enormous progress thanks to public support for companies, massive investments, scientific development (also at the expense of the intellectual property rights of other entities), and restrictions on the access of foreign firms to the domestic market.
- As a result, production capacity in technologically advanced industries has increased sharply, forcing the **"export of excess capacity".** Despite the actions taken by the authorities, it has not been possible to stimulate domestic demand sufficiently for it to absorb, to a significant extent, the rapidly growing supply.

(Expensive) Chinese industrial policy – expansion, expansion and expansion again

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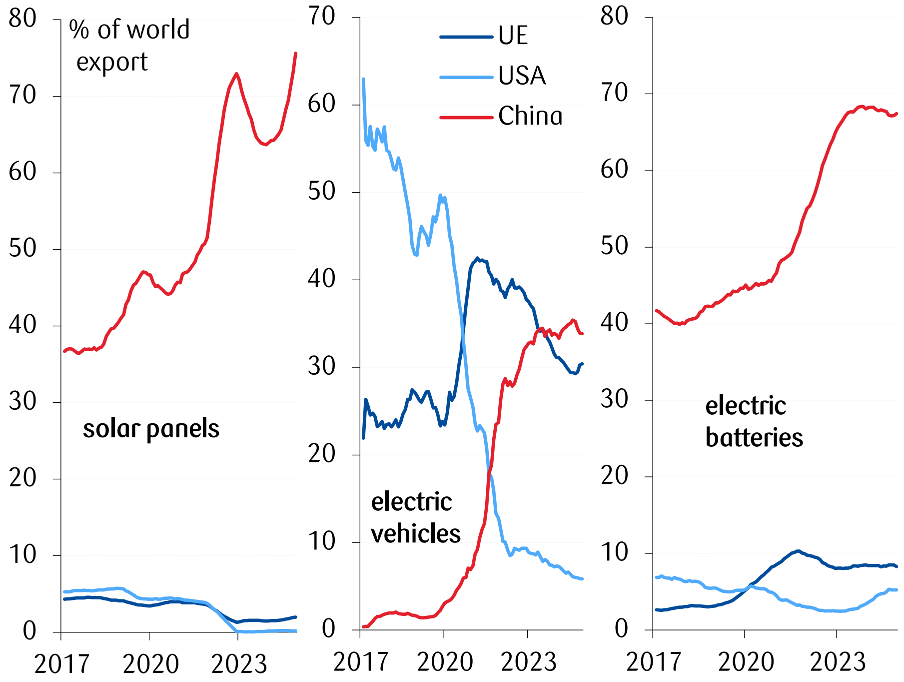
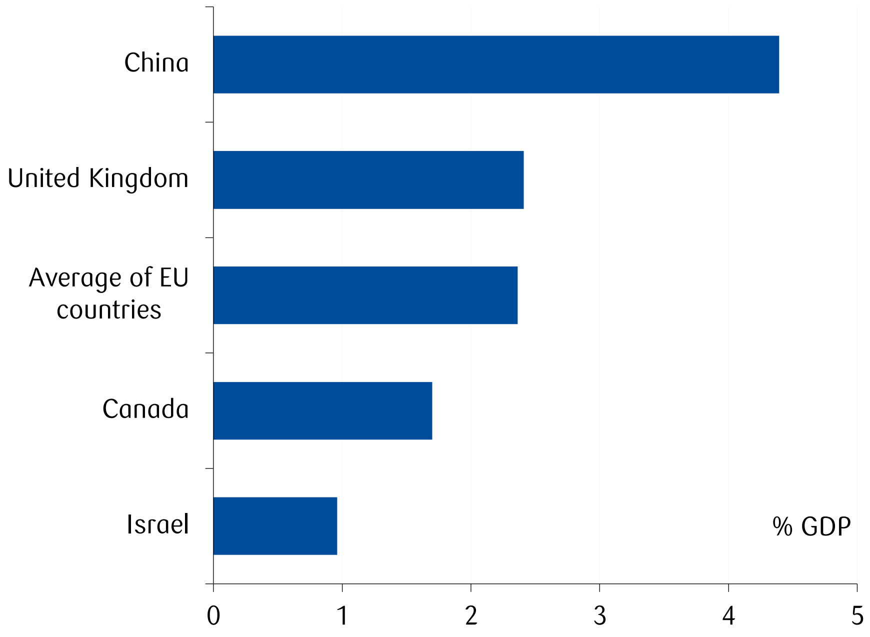
Share of China, the USA and the EU in global exports of selected advanced industrial goods



Estimated fiscal costs of interventions under industrial policies



- **China's development model is based on an intensive industrial policy, which entails very high costs borne by the state - at least 4% of GDP annually, i.e. around twice as much as on average in the EU or the United Kingdom.** The instruments used by China include subsidies targeted at selected industries, grants and capital injections, the transfer of land to companies free of charge or at preferential prices, as well as tax reliefs.
- As a result, China has, **in a short period of time, built extremely competitive modern technology sectors**, in particular semiconductors, electronics and so-called green industries (batteries, electric vehicles and solar panels). This policy has delivered tangible results: the rapid industrial-scale deployment of technologically advanced, high-quality products manufactured at prices lower than those of competitors. Even before 2020, China was a second-tier player in the global electric vehicle market, whereas today it clearly dominates and crowds out the competition.

Disadvantages and costs of a development model based on excess production capacity and overinvestment

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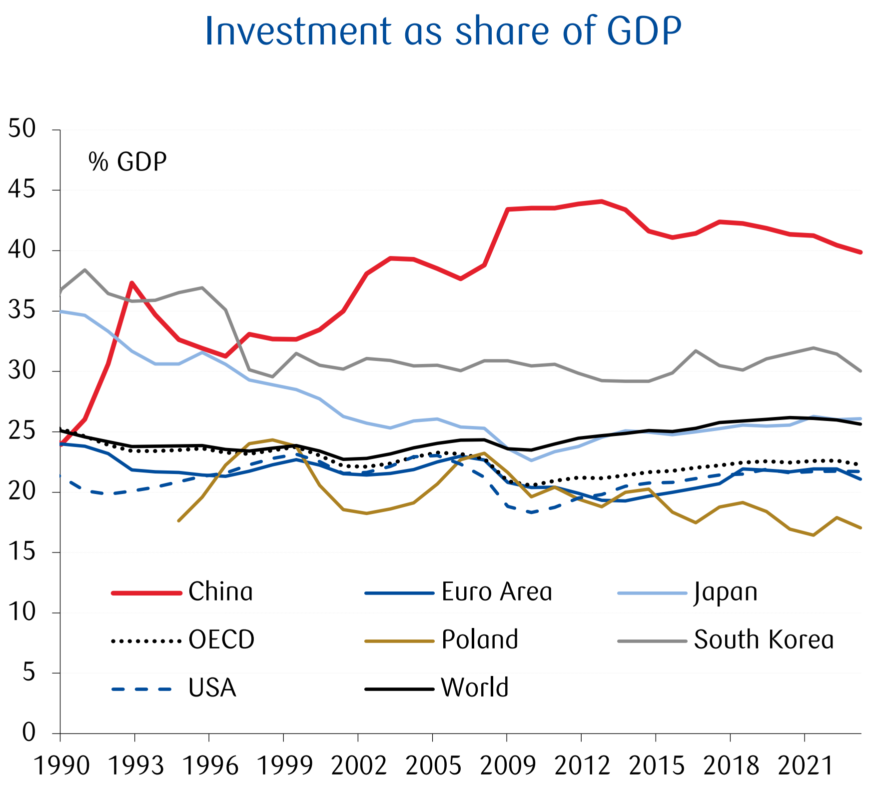

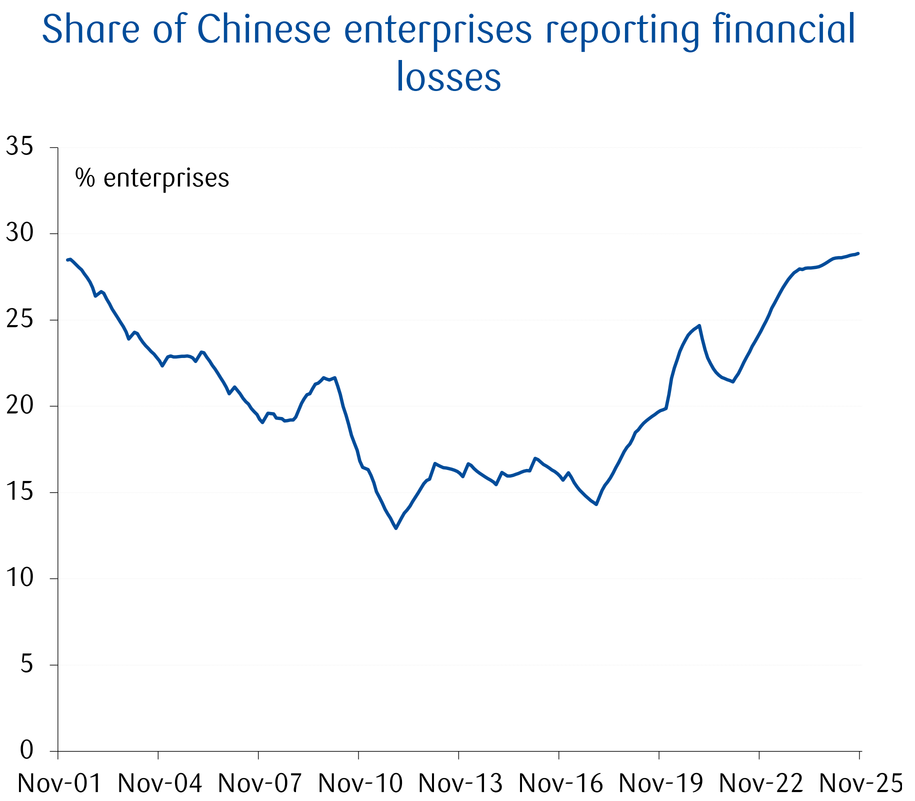

- **Chinese industrial policy, as well as the Chinese development model in general, nevertheless generate significant economic costs**: waste of resources, low efficiency of firms (overall, not only selected leaders), top-down selection of "winning industries", monopolisation and the concentration of capital in certain sectors at the expense of others. In the short term, these costs are manageable, but in the long term they increase the risk of crisis and a breakdown of the development model. Maintaining a high growth rate also requires continuous excessive investment, higher than justified by economic calculation, which constrains the level of consumption. Continued access to export markets remains essential, enabling the placement of surplus production.
- An additional consequence of this strategy is a **systematic decline in margins among Chinese firms and an increase in the share of loss-making enterprises**. By the end of 2025, the proportion of such firms had approached 30% and was the highest in the history of available data.

The global march of Chinese industry

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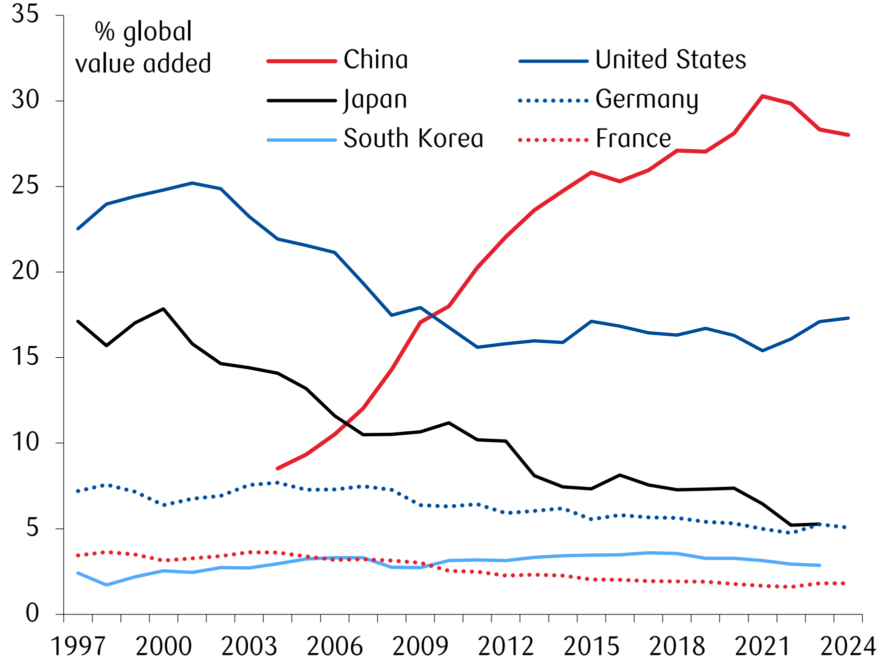
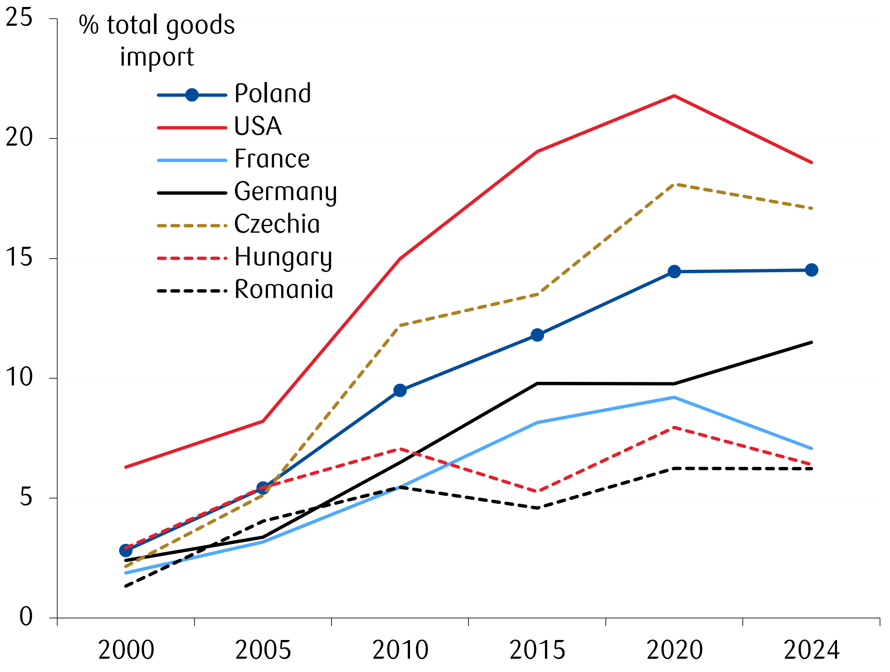
Share of selected countries in global value added in manufacturing



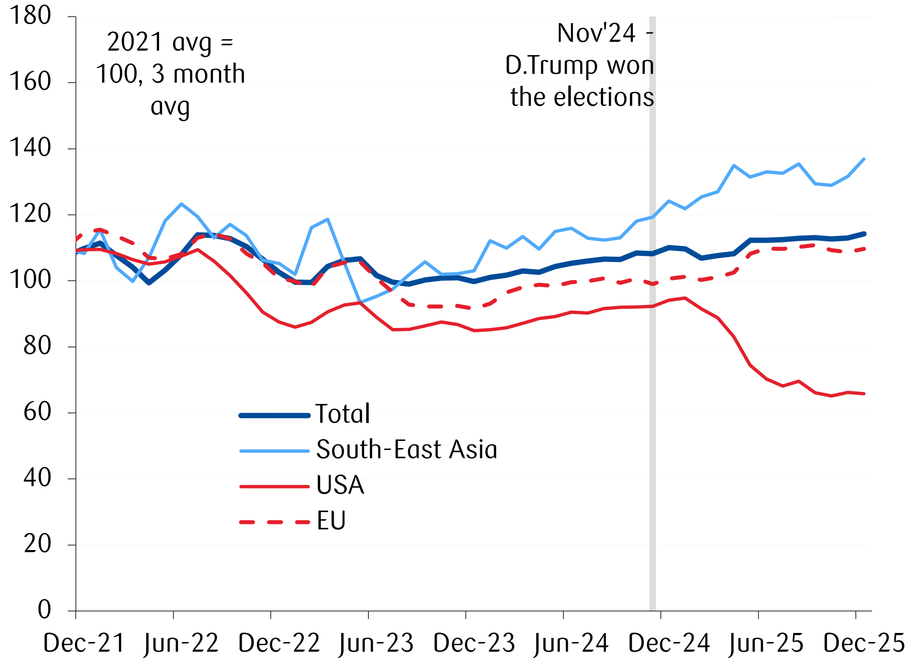
Imports of goods from China – China's share in total imports of selected economies



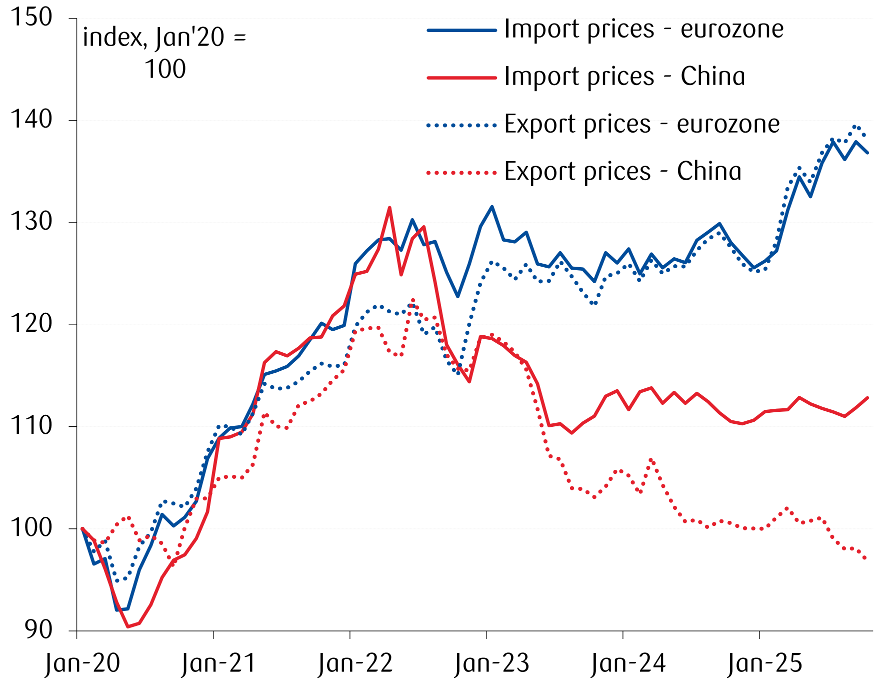
- **Since at least China's accession to the WTO (2001), the Chinese economy has systematically increased its share in global manufacturing value added, inter alia at the expense of Japan and the USA.** Around 2020, China already accounted for approximately 30% of global manufacturing value added, and its share is likely to continue rising over the long term. From 2022, however, there has been a slight increase in the share of the USA and a decline in China's share (data through 2023), which is difficult to explain unambiguously; one possible factor is US industrial policy (the CHIPS Act and the IRA).
- **China's development model has largely been based on capturing foreign markets, which made it possible to absorb excess production capacity, as evidenced by the rising share of imports from China in total imports across a number of economies.** Further rapid growth of such imports is becoming increasingly difficult, however – both due to the already high level and to the growing awareness among Western countries of the challenges and risks associated with deepening economic dependence on China.

Increasingly cheaper and rapidly growing exports from China

Goods export from China (USD)



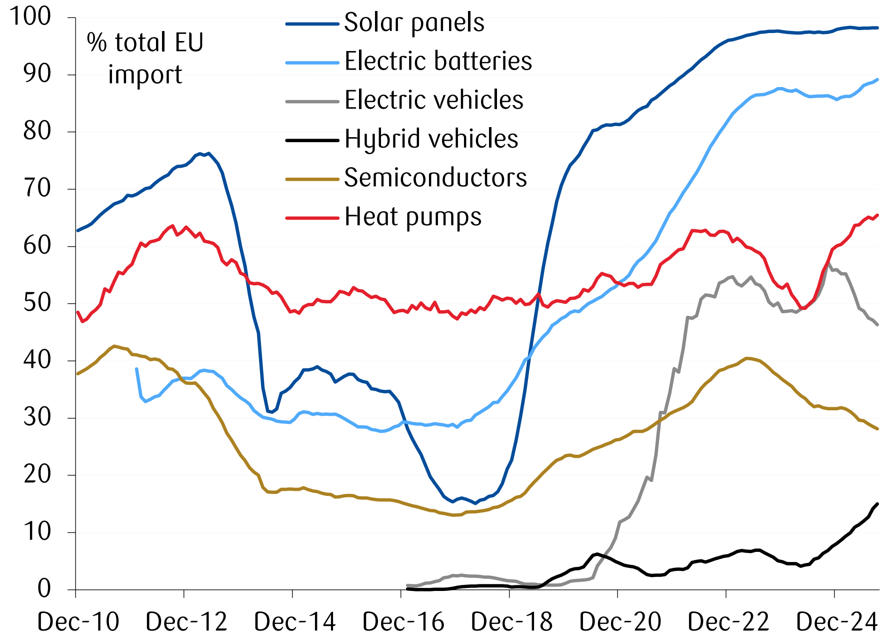
Import and export prices – euro area and China



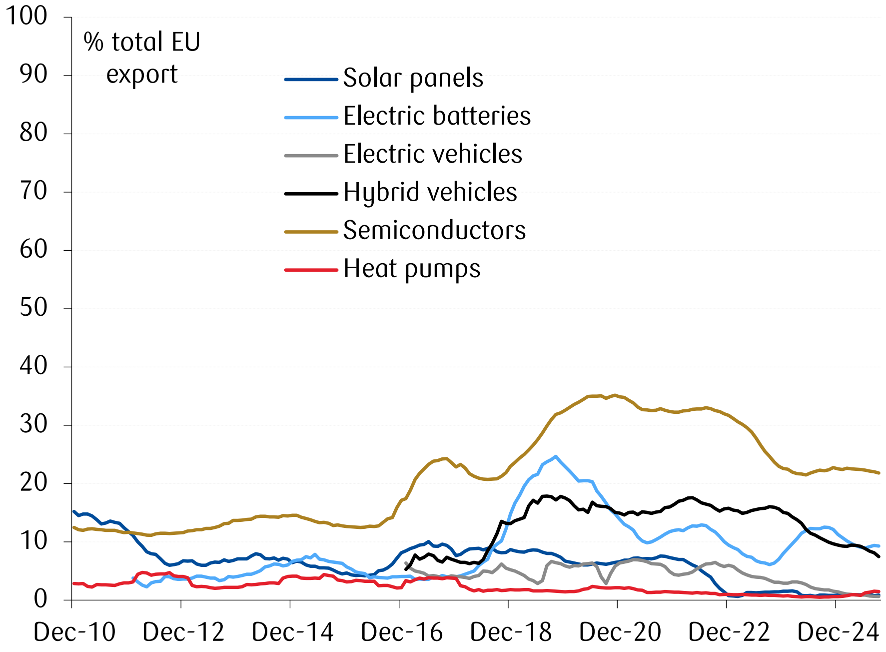
- **The introduction of high tariffs by the USA in 2025 did not, contrary to expectations, reduce Chinese exports of goods.** In 2025, total exports increased by more than 5% y/y, although exports to the USA fell by nearly 20%. **China significantly increased sales to South-East Asia and Africa, and with some delay also to the EU.** The increase in exports to the EU can be interpreted as a partial redirection of previous deliveries to the USA as well as an effect of Chinese overproduction. At the same time, China's drive towards self-sufficiency has intensified – since at least 2022, China has been actively reducing imports, especially from Western countries (the USA, the EU, Japan and Australia), in particular technologically advanced goods, which it seeks to produce domestically.
- One of the key factors behind the competitiveness of Chinese exports in recent years has been a sharp decline in prices: since the beginning of 2022, prices in China have fallen by around 20%, while they have increased slightly in the euro area. This makes it more difficult for European companies to compete in third markets and leads to their displacement.

EU-China trade relations are becoming increasingly one-sided

China's share in EU imports of selected goods



China's share in EU exports of selected goods



- **China is an important import destination for the EU, and in advanced technologies and "green economy" sectors its role is crucial.** In recent years, it has achieved very high shares in EU imports – almost 100% in the case of photovoltaic panels and around 90% in batteries. In other segments, such as electric and hybrid vehicles, rapid growth is observed. The effects of EU protective measures are limited, and the decline in China's share of EV imports can be linked not only to tariffs, but also to the economic slowdown in the EU, while in semiconductors – to the end of the automotive "chip crisis". It should also be borne in mind that a share in imports does not equal a share in the market – in 2024 China accounted for around 50% of electric vehicle imports, but only about 20% of sales.
- **China's importance for EU exports of the goods discussed is limited, despite increases in 2015-2022.** Since then, we have observed a gradual reduction in its role for EU exporters. **The threat from China is twofold: dependence on imports is increasing, while at the same time the export market is shrinking.**

Rising imports from China will reduce inflation and GDP in Europe

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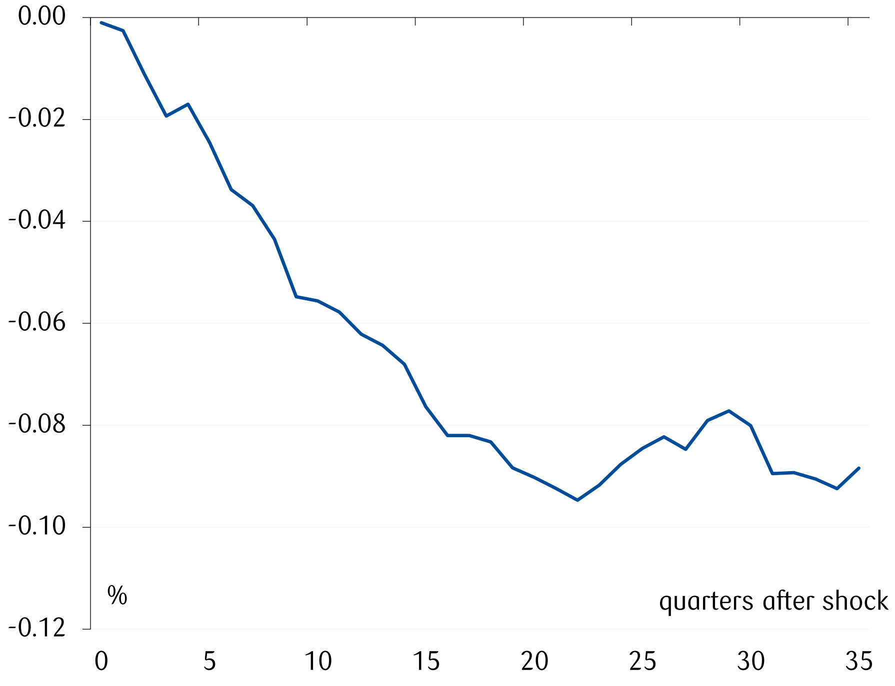
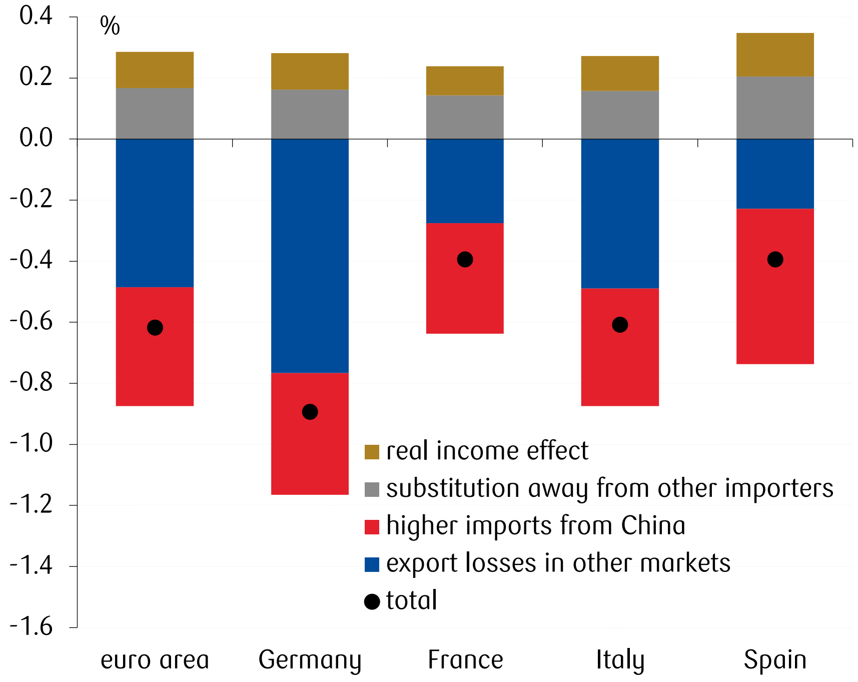
Impact of a 1% decline in import prices of industrial goods from China on prices of non-energy industrial goods (NEIG) in the euro area



Cumulative (through 2029) impact on GDP of increased Chinese exports (est. Goldman Sachs)



- **According to estimates by ECB economists, a 1% decline in the prices of industrial goods imported from China reduces the prices of non-energy industrial goods in the HICP (NEIG) in the euro area by 0.1% over a two-year horizon**. At the current scale of price declines, this implies a reduction in NEIG in 2026 of around 0.5 pp and in headline HICP inflation of approximately 0.15 pp.
- **The impact of rising global exports from China on euro area GDP should be negative. According to Goldman Sachs, by 2029 GDP would be almost 1% lower under such a scenario.** The main channel will be the crowding out of European firms from export markets; this effect will be strongest in Germany and weakest in France. Subsequently, increased imports from China, which mechanically reduce GDP, will also play a role. At the same time, rising imports will also have positive effects: they will replace more expensive imports from other countries (the substitution effect) and increase the real wealth of firms and consumers through lower prices (the income effect).

Competition from China reduces the margins of European firms

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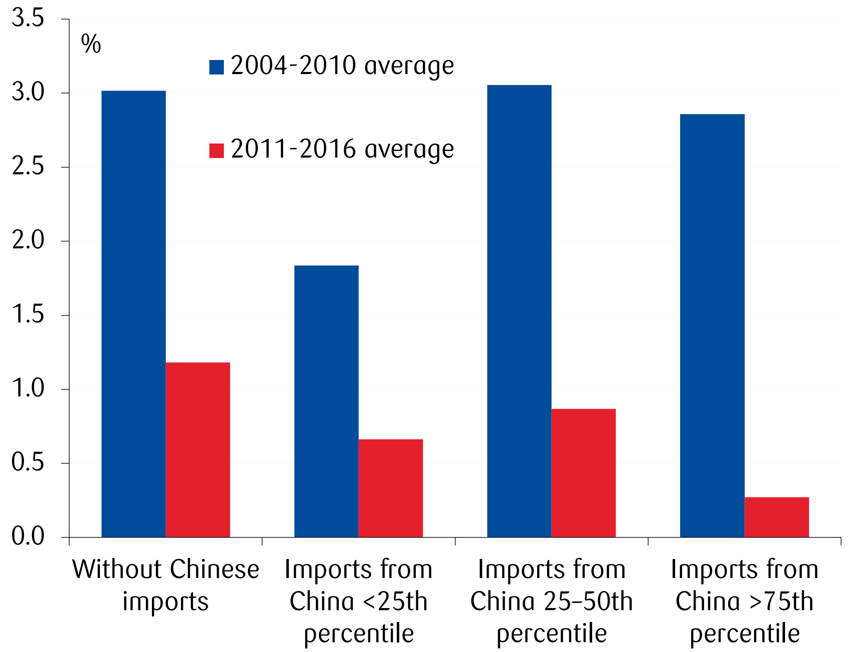
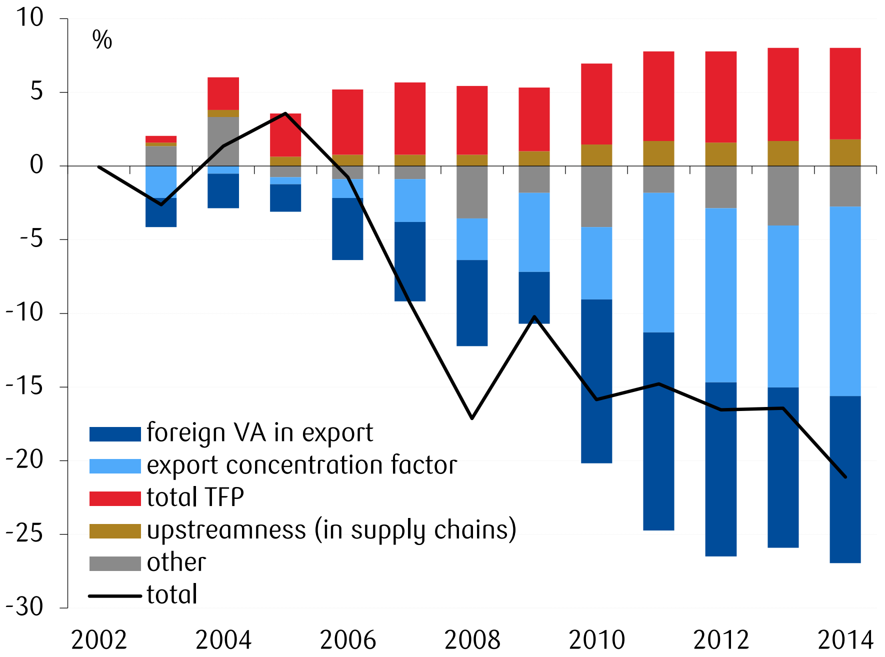
Average growth in labour productivity in European firms depending on the scale of import intensity from China in a given industry



Sources of the decline in (economic) margins in exporting firms in Poland between 2002 and 2014



- **Research (Friesenbichler et al. 2024)** shows that up to around 2010 competition from China stimulated innovation and productivity among European firms, whereas after 2010 it had the opposite effect. Firms responded to competition from China mainly through price and revenue reductions, which constrained their ability to invest and innovate, suggesting absorption of the "China shock" via declining margins. There are no analogous analyses for Poland. The most detailed study (Gradzewicz Mućk, 2019) indicates that in 2002–2014 exporters' margins (mark-ups over marginal cost) fell by almost 20%, significantly more than among non-exporting firms. The authors link this to growing dependence on imported components and intensifying price competition in global markets.
- **The ongoing expansion of Chinese imports in EU markets may compress the margins of Polish firms.** Historical experience shows, however, that domestic industry has coped relatively well during periods of crisis, and a potential mitigating channel may be the growing role of Polish firms in European supply chains.

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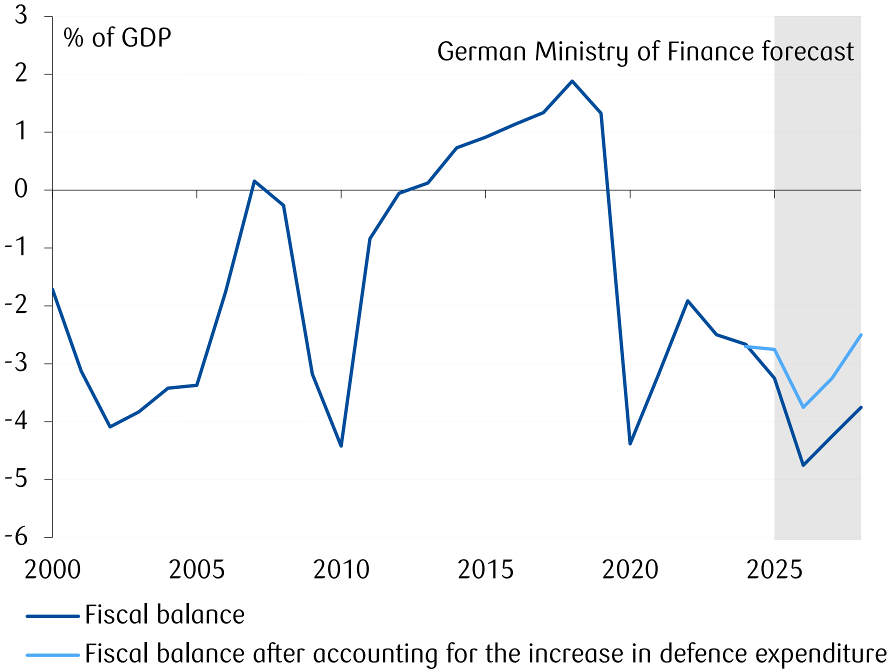
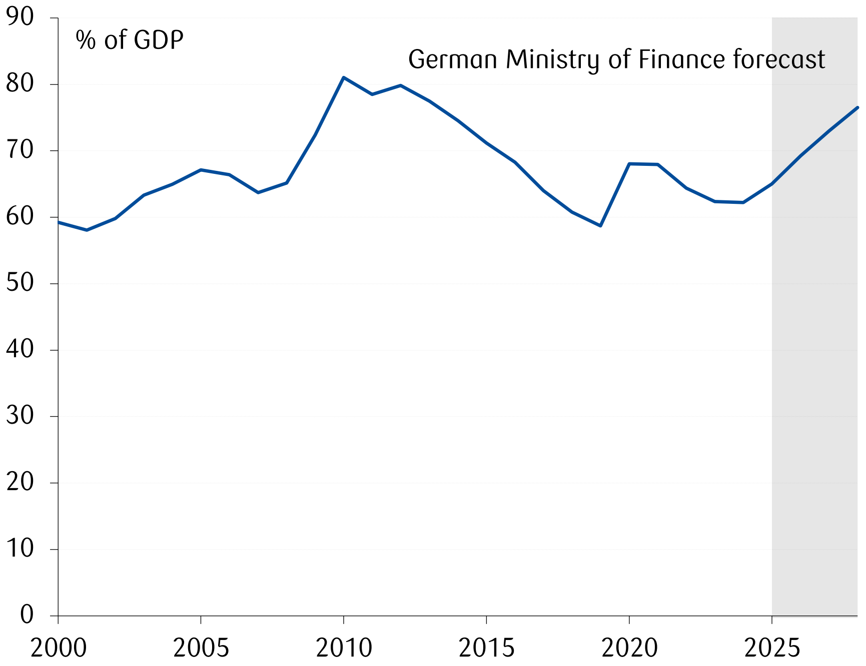
#2 When will the German recovery arrive and what will result from it?

Higher spending, a widening deficit and rising debt ahead

Fiscal balance forecasted in the draft budget bill



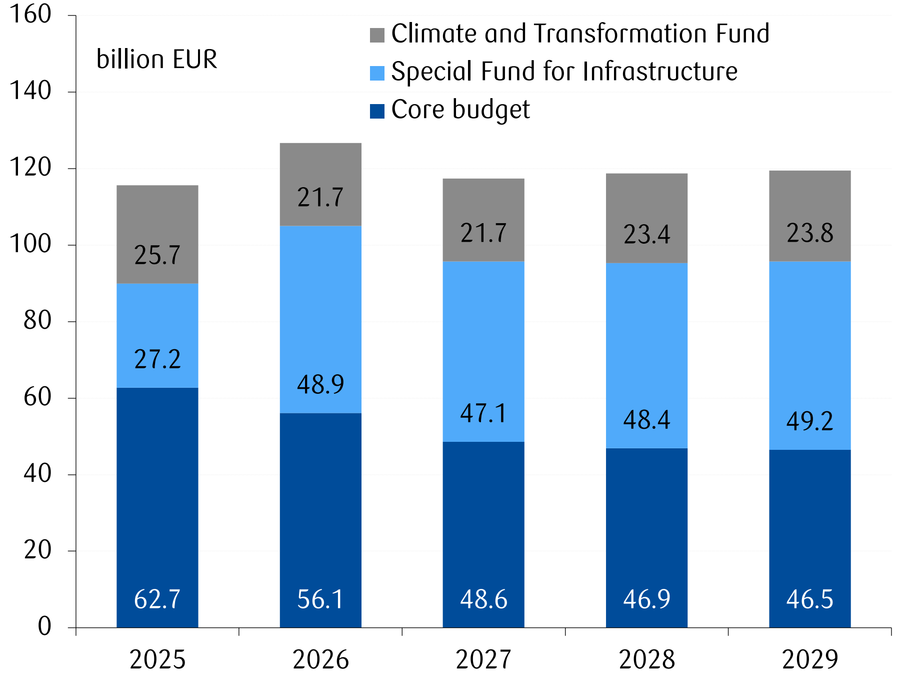
Public debt forecasted in the draft budget bill



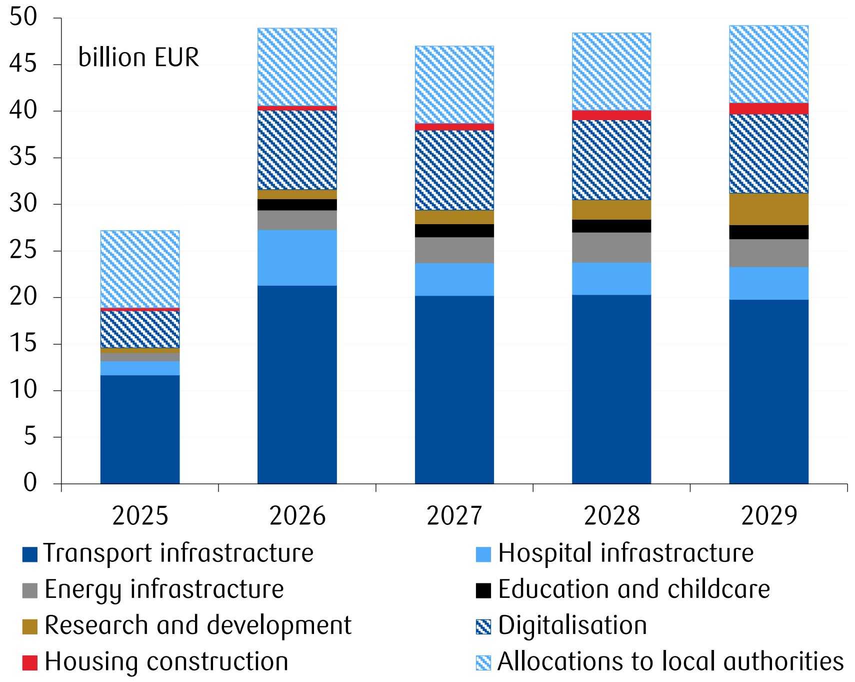
- **In March 2025, Germany's governing coalition reached an agreement on a debt-financed spending package for defence and infrastructure. This marked a significant shift in the German authorities' approach, which had previously favoured fiscal conservatism, and raised hopes that a fiscal impulse could lift the economy out of stagnation**. Defence spending in excess of 1% of GDP will be excluded from debt limits. In addition, a Special Fund for Infrastructure worth EUR 500bn has been established, to be implemented over a 12-year period. Of this amount, EUR 100bn will be allocated to climate and transformation purposes, with a further EUR 100bn made available to local authorities.
- Higher spending will translate into an increase in the fiscal deficit in 2026 to around 4.75% of GDP – the highest level since 1995. In subsequent years, the deficit is expected to be lower (around 4.25% of GDP in 2027 and 3.75% of GDP in 2028). Public debt will rise gradually, reaching 76.5% of GDP in 2028, up from 62.2% of GDP at the end of 2024.

Investment by special funds is crowding out budgetary investment

Investment expenditure from the budget and special funds



Allocation of funds from the Special Fund for Infrastructure



- **State-budget-financed investment this year and in the coming years will account for at least 10% of total budgetary expenditure; however, the threshold set at this level is widely criticised as insufficiently ambitious.** Higher investment spending under the Climate and Transformation Fund and the Special Fund for Infrastructure will (at least partly) substitute for a decline in investment financed from the central budget. This implies that **some of the funds may in practice be used to maintain and modernise existing infrastructure or to finance projects that had already been planned, rather than fully contributing to the creation of new, previously unplanned investment. As a result, the strength of the demand impulse generated by the package may be weaker than initially assumed.**
- The infrastructure fund will primarily finance transport infrastructure (over 40% of the fund's annual allocation) and support digitalisation (over 17%). In addition, EUR 8.3bn per year will be made available to federal states and local authorities.

Germany is rearming

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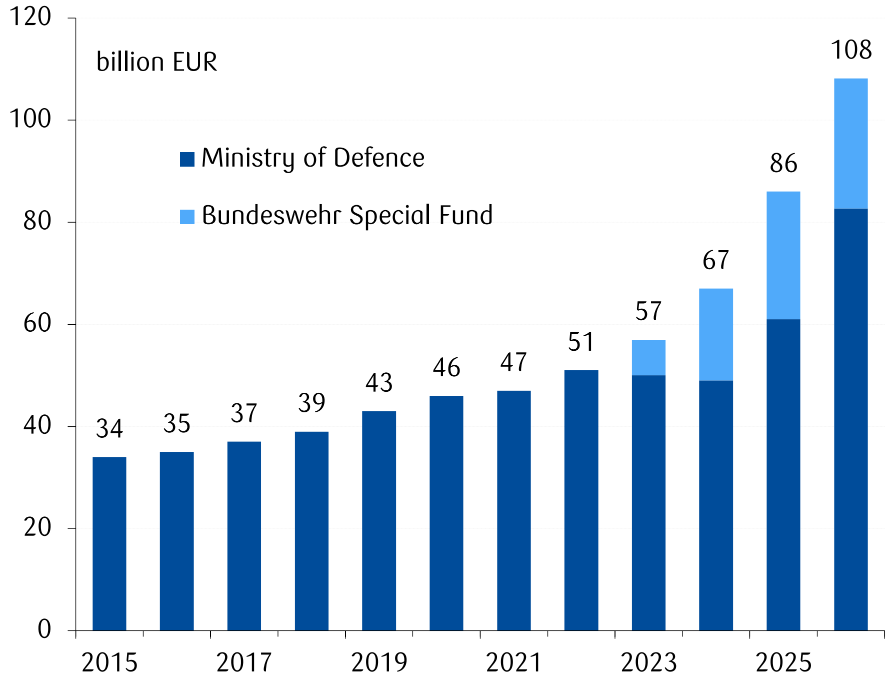
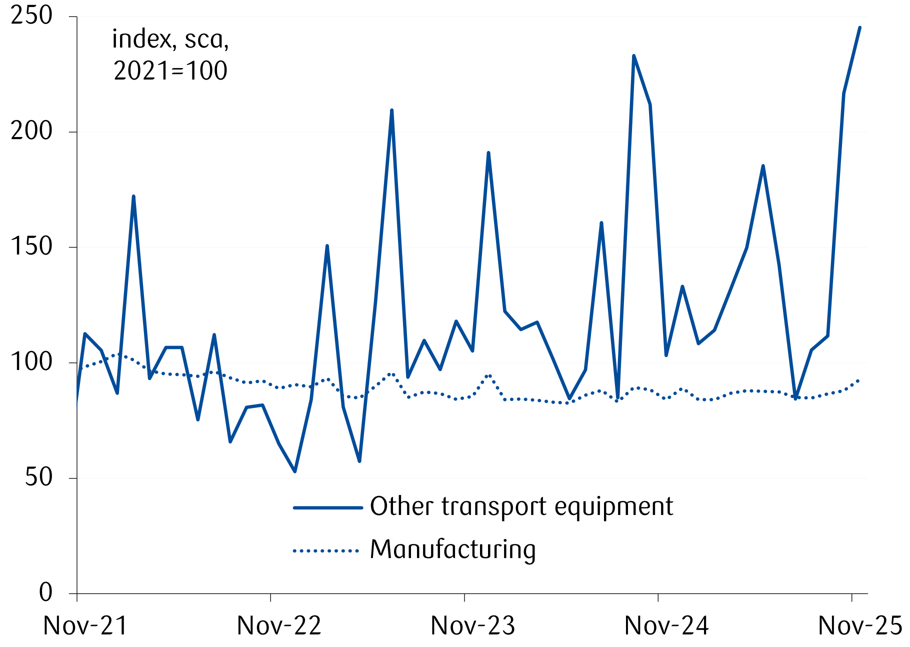
Defence expenditure within the budget and extra-budgetary funds



New orders for other transport equipment (aircraft, ships, military vehicles)



- **Defence spending financed from the state budget in 2026 is expected to amount to EUR 82.7bn, which, combined with resources from the Bundeswehr Special Fund, will translate into total sector financing of EUR 108bn** – more than twice the level seen before Russia’s full-scale invasion of Ukraine. Defence expenditure as a share of GDP will rise to 2.8% in 2026 and, ultimately, to 3.5% in 2029, in line with the NATO target.
- **The first effects of stronger demand are already visible. In recent months, we have observed a marked increase in new industrial orders.** The main drivers of overall new orders are the production of fabricated metal products and “other transport equipment”, which includes aircraft, ships, trains and military vehicles. The volume of new orders in this category has almost tripled between July and November and is currently at a record high (sca).

The past year has brought an improvement in sentiment, but not across all sectors and primarily with regard to the future

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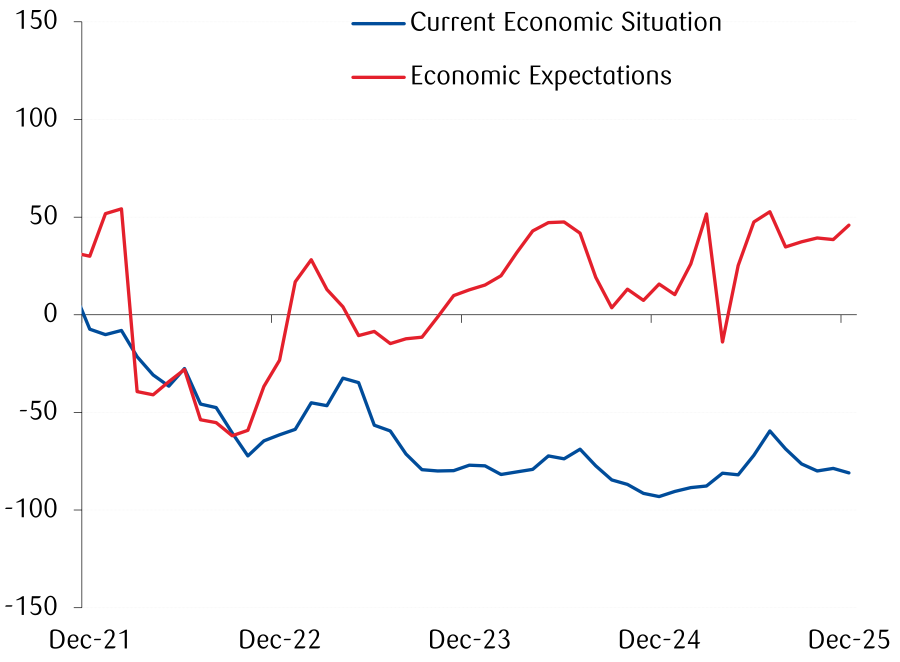
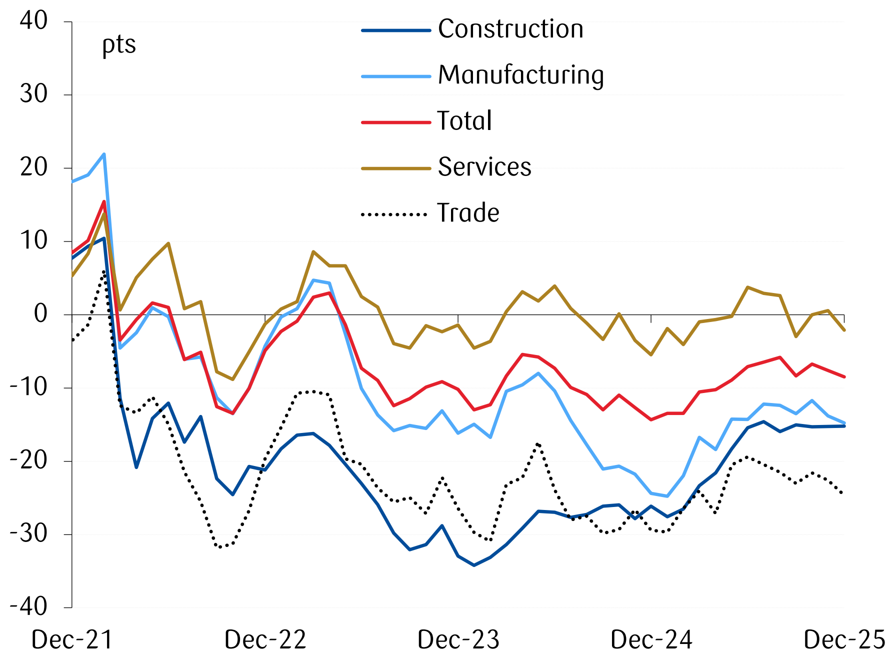
ZEW Index



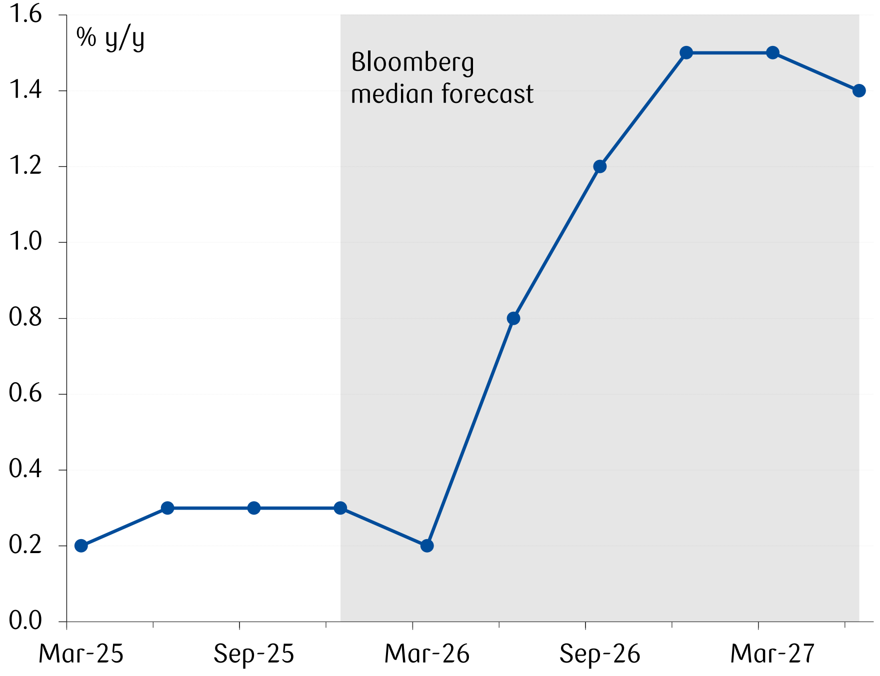
Ifo Index – sectoral overview



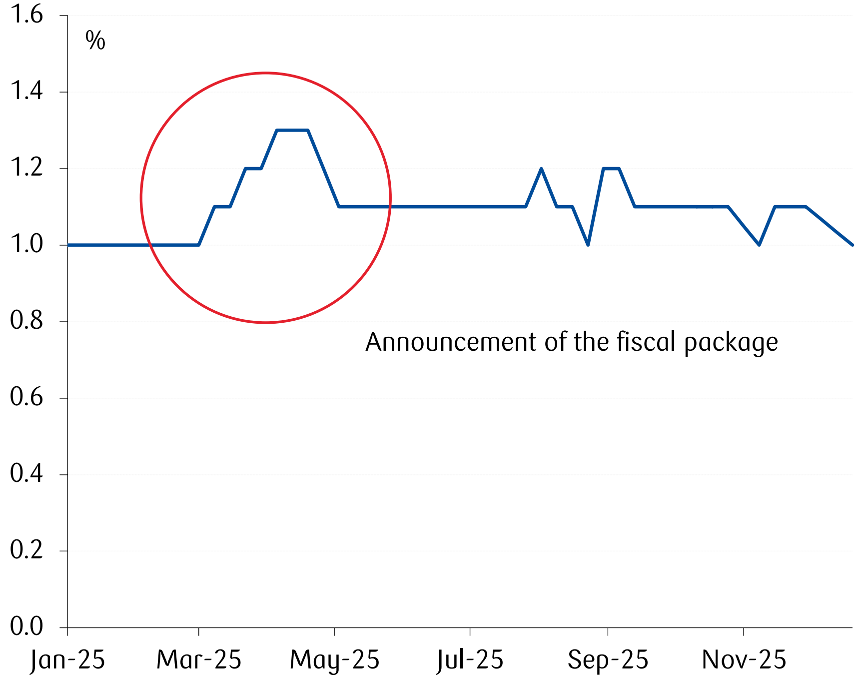
- Investor sentiment regarding the future, as measured by the ZEW index, has improved markedly over the past year, with more than half of respondents expecting better conditions for the German economy. **The improvement was particularly strong in March 2025, following the announcement of the fiscal package, which raised hopes of a turnaround in the coming years. However, nine months on, there is still no evidence of an improvement in current conditions. Assessments remain clearly negative:** only 1.1% of respondents rate the current situation as good, compared with 82.1% who view it as poor.
- The Ifo business survey points to a much smaller gap between expectations for the next six months and assessments of the current situation, which is close to five-year lows. **A sectoral breakdown shows, however, that the business climate (the average of expectations and the current situation) has improved over the past 12 months primarily in construction and manufacturing – the main beneficiaries of the package.** In services and trade, the improvement has been more limited, and recent months have brought a deterioration in conditions.

GDP growth forecasts have remained moderate at best

German GDP growth forecast



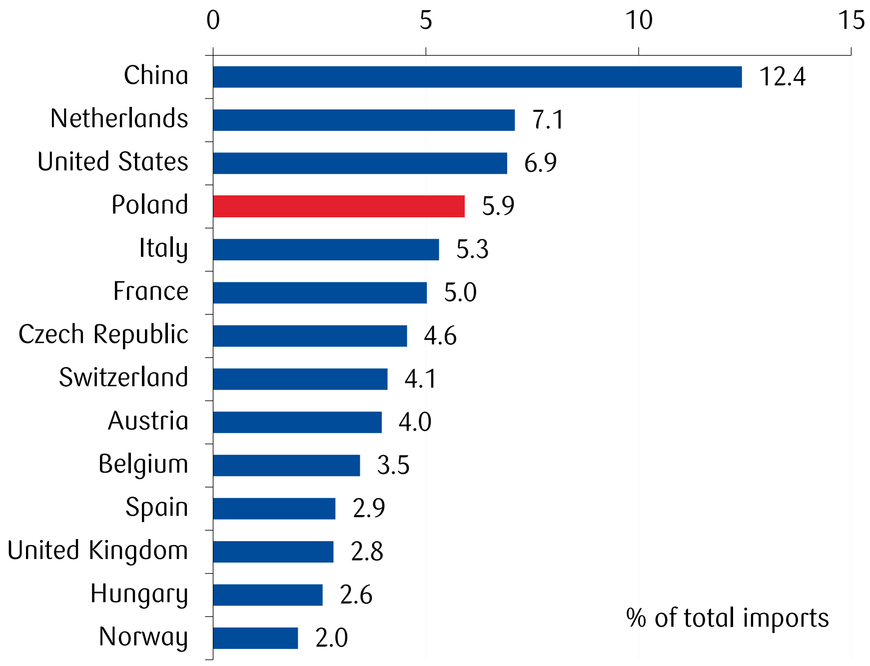
Evolution of GDP growth forecasts for Germany in 2026



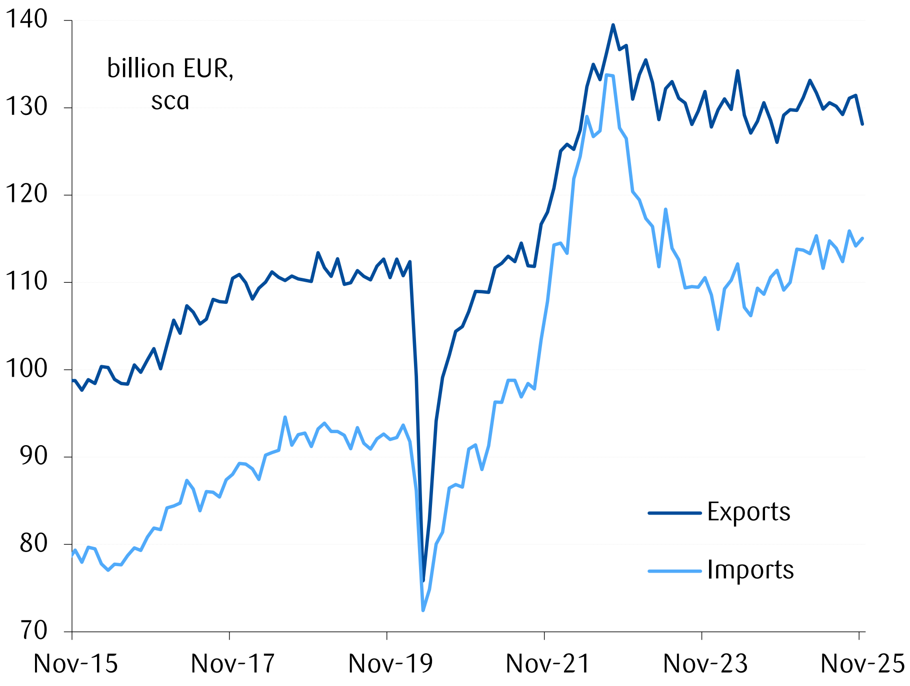
- Although the announcement of the EUR 500bn fiscal package attracted significant attention and made newspaper front pages, **GDP growth expectations for 2026 rose by only 0.3pp, and only temporarily.** Nevertheless, after several quarters of anaemic growth not exceeding 0.5% y/y, the turn of 2026–27—when the negative effects of US tariffs will have filtered through the German economy—should bring a recovery, with growth approaching 1.5% y/y.
- According to our analysis (based on the FIGARO database), **the planned fiscal impulse could generate up to EUR 600bn in additional GDP over 12 years, equivalent to around 1.1% of GDP per year.** This outcome, however, would be achievable only if the funds are not reallocated from existing programmes but instead translate into genuinely new investment.

Who will benefit from the German recovery?

The most important origins of German imports



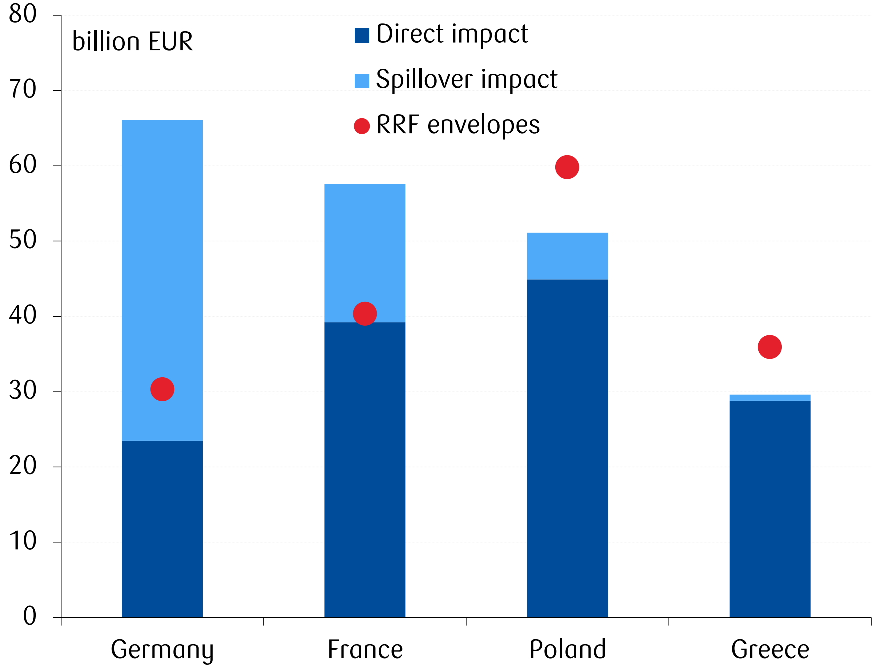
German exports and imports



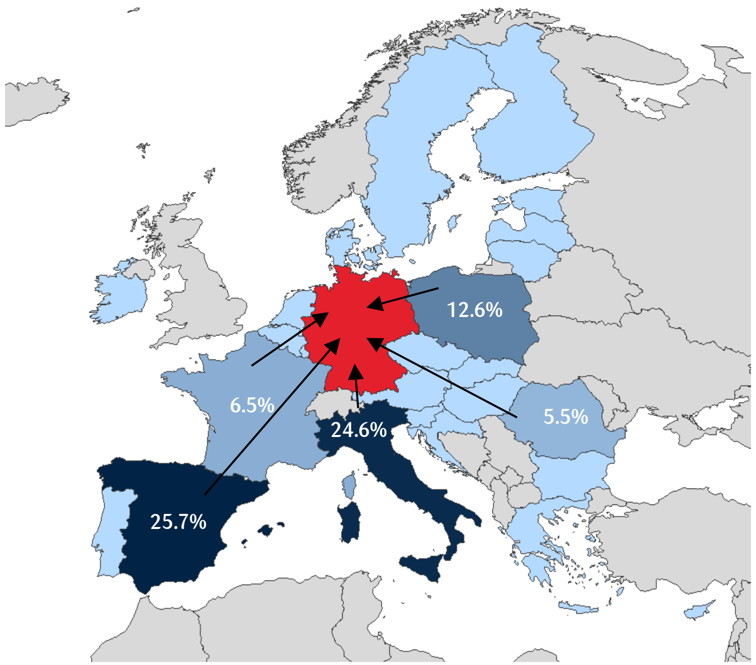
- **Over the past 20 years, Poland has overtaken, among others, France, Italy and Spain in the ranking of the largest exporters to Germany,** while for Poland Germany remains the most important export destination. Although Poland generally benefits from economic growth in its western neighbour, the impact of this recovery on domestic conditions will be limited. According to our analysis, the German fiscal package will generate only a 0.2% increase in Poland's annual GDP over a 12-year horizon (compared with 0.3% for the Czechia, 0.2% for Hungary, and 0.1% for Romania).

European RRF programmes will drive the German economy

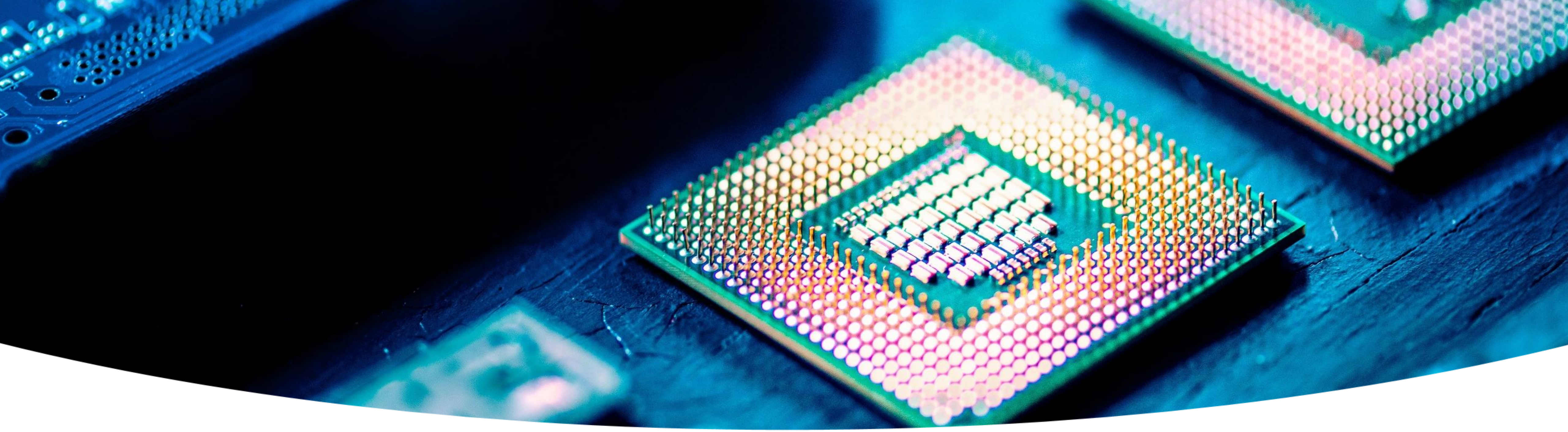
Direct and spillover impacts on value added relative to RRF envelopes



RRF spillovers to Germany - contributions by country of origin



- **Beyond the fiscal package, Germany's recovery will also be supported by the implementation of national programmes under the Recovery and Resilience Facility across EU Member States**. Michels et al. (2025) estimate that, assuming full implementation of programmes in all 27 EU countries, the medium-term impact of foreign programmes on value added in Germany will amount to around EUR 66bn - more than twice the size of Germany's own National Recovery Plan (NRP).
- The observed "spillover effect" of foreign programmes on the German economy (over EUR 40bn in value added) is driven in roughly equal measure by programmes in Spain (25.7%) and Italy (24.6%), while Poland's NRP accounts for around 12.6% of the effect, placing it third. From a sectoral perspective, the German manufacturing sector is set to benefit the most from these spillovers, in particular machinery and equipment, motor vehicles, computers, electronics and optical products, as well as electrical equipment.



#3 Too high spending on AI?

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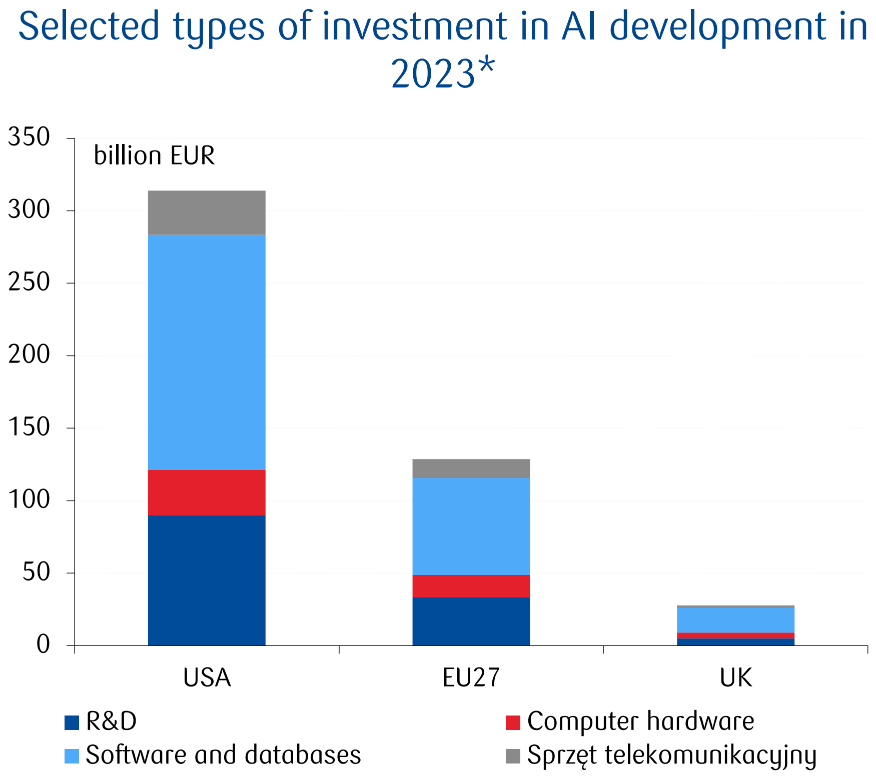
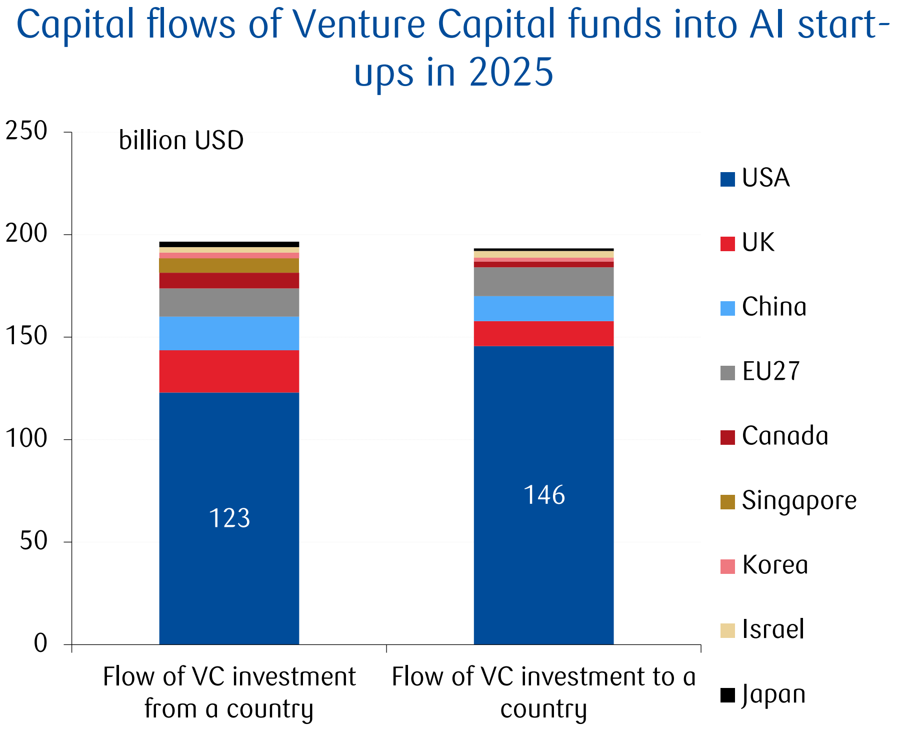
The US is the undisputed leader in AI investment





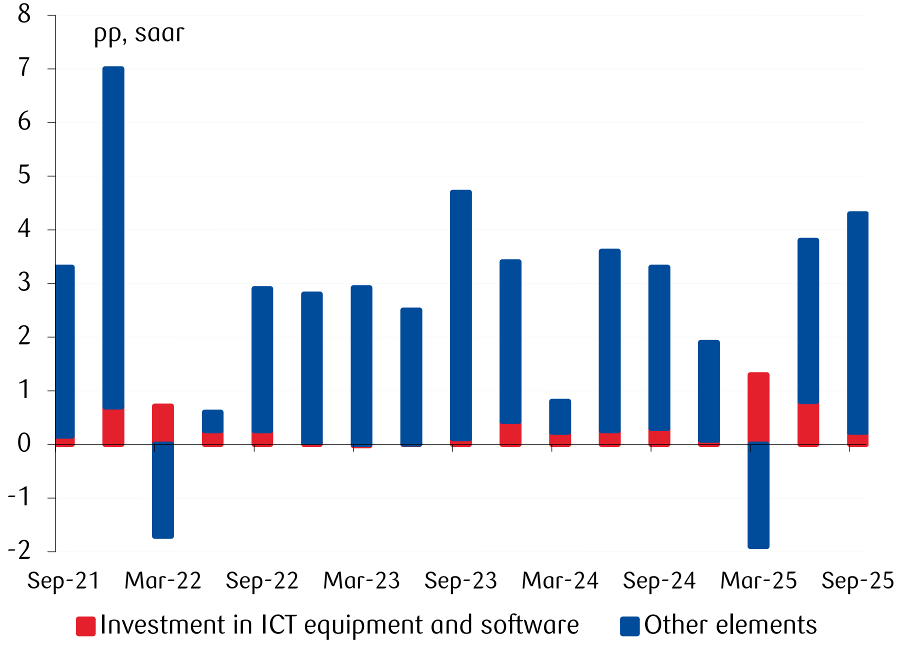
- **The US is the undisputed leader in AI investment.** Experimental OECD estimates indicate that expenditure on four selected AI areas in 2023 in the US was almost three times higher than in the entire European Union. Unfortunately, we do not have comparable data for China.
- Long-term estimates of the impact of AI on productivity in the US reach as much as 1% per year.
- **Despite the depth of the US financial market, start-ups located there attract capital from abroad,** and the total volume of AI-related investments by Venture Capital funds in the US systematically exceeds the expenditure incurred by US VC entities (OECD estimates based on Preqin data). The largest sources of capital for US start-ups are the United Kingdom, Canada and Singapore.

*OECD estimates do not cover China

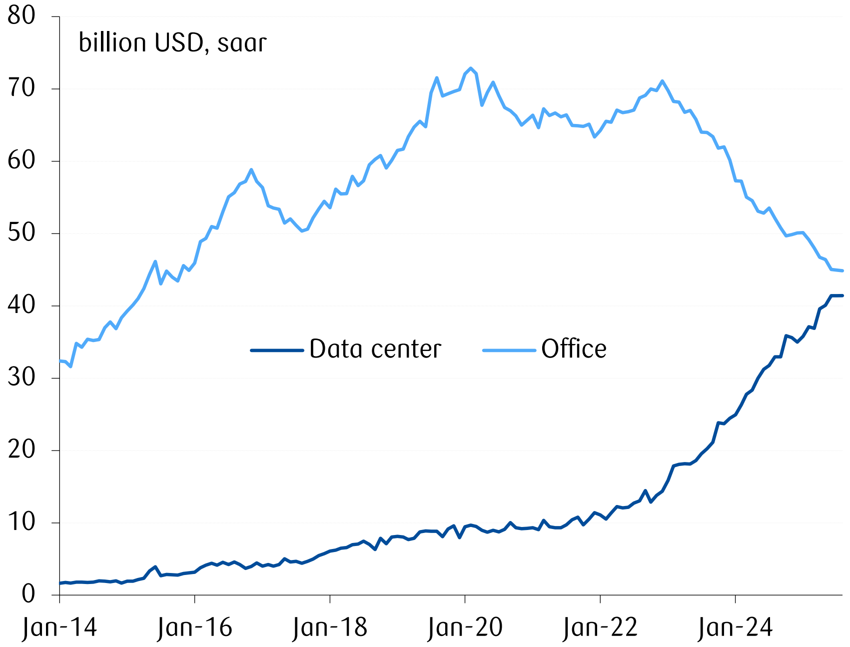
Investment in AI affects the US business cycle

Bank Polski

The contribution of expenditure on IT hardware and software to GDP growth in the US



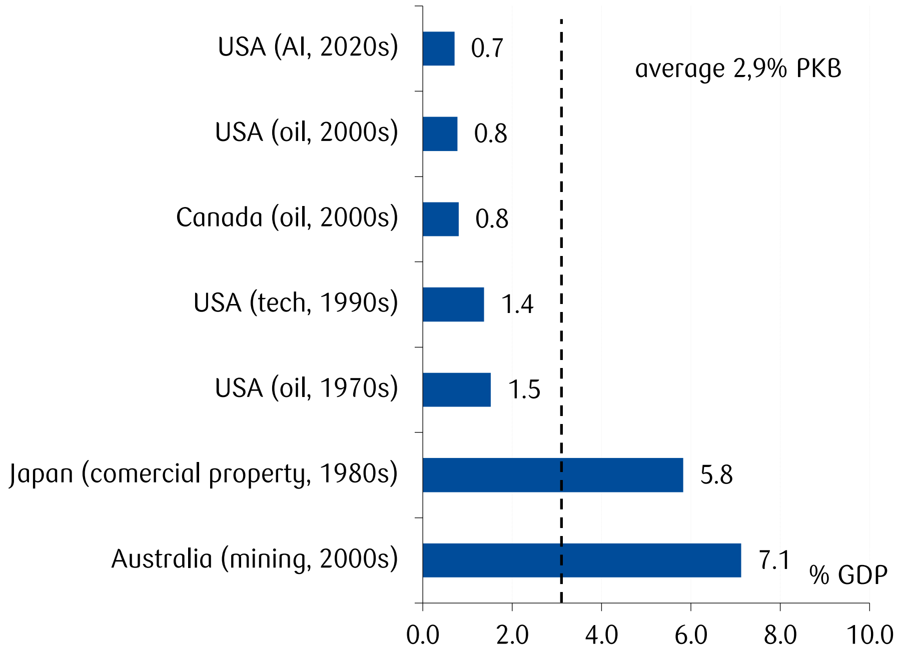
Monthly investment expenditure in the US



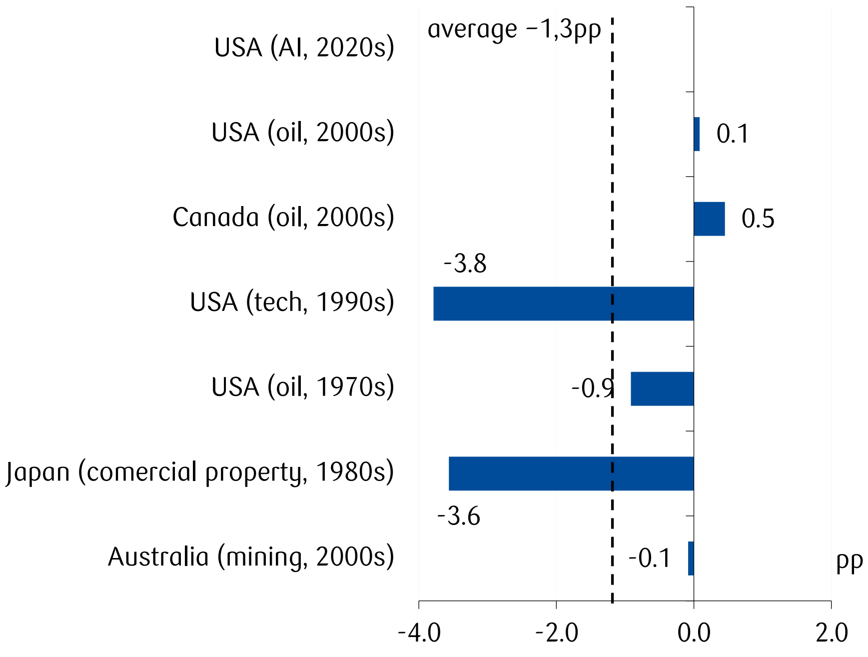
- **Investment in AI affects economic conditions in the US; however, contrary to some emerging opinions, it is not the sole source of economic growth in recent quarters.** While in 1q25 expenditure on computer hardware and software boosted the growth rate of US GDP by 1.3pp, in subsequent quarters their contribution was clearly smaller than that of other components.
- A good illustration of the ongoing AI-related boom in the US is monthly investment in data centres, the value of which is rising sharply and is now only slightly lower than expenditure on standard office buildings.

The AI-related investment boom in a historical perspective

Changes in investment outlays during selected episodes of investment booms



GDP growth one year after the end of the boom minus average growth prior to the boom

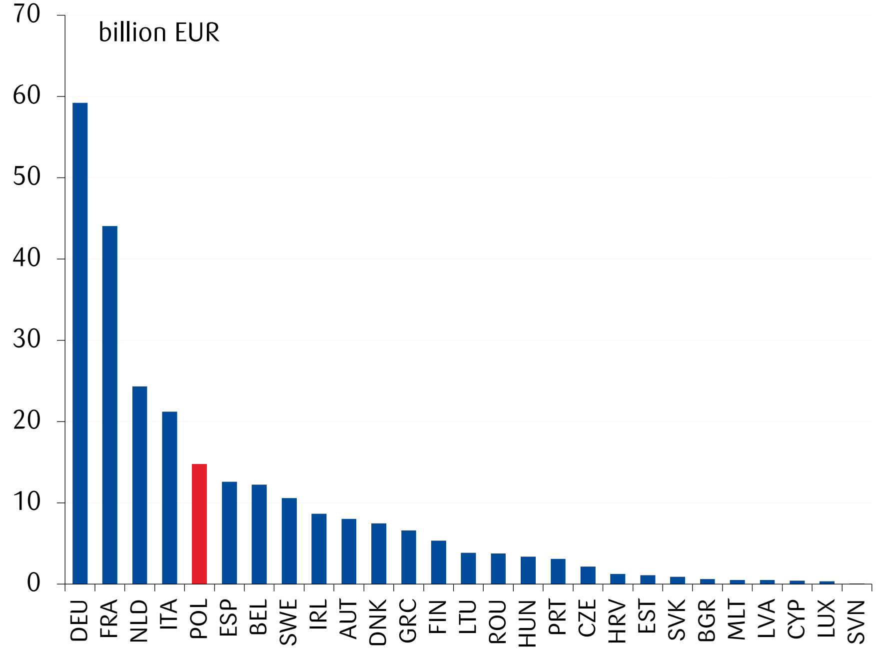


- **According to BIS estimates, the intensity of the AI-related investment boom in the US is clearly lower than in some past episodes of heightened investment activity.** In particular, the technology boom of the 1990s and the property boom in Japan in the 1980s were characterised by a several-times higher ratio of new investment outlays to GDP.
- **Importantly, in its analysis BIS included stark cases of excessive investment activity whose end was abrupt** (boom and bust cycles). The analysis shows that a sudden end to such a boom is generally associated with a slowdown in GDP, although the long-term effects are not unequivocally negative.

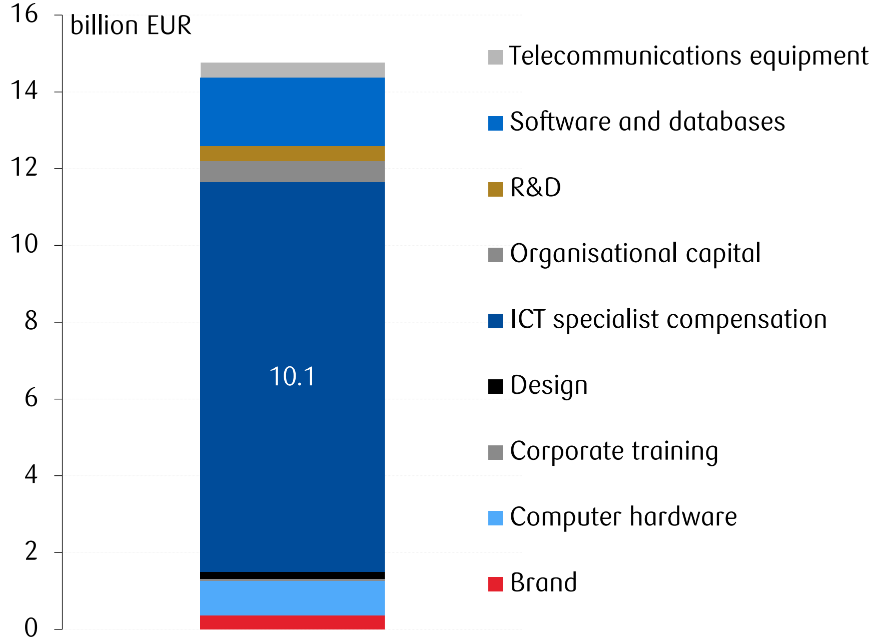
Source: Financing the AI boom: from cash flows to debt, BIS Bulletin 120

Investment in AI development in Poland

Investment in AI development in EU countries in 2023



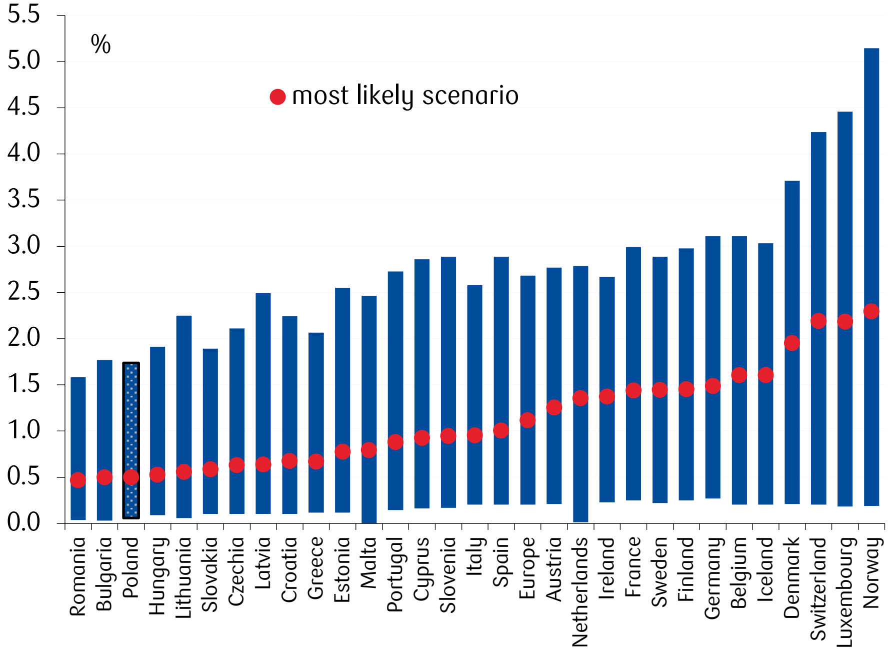
The structure of investment in AI development in Poland



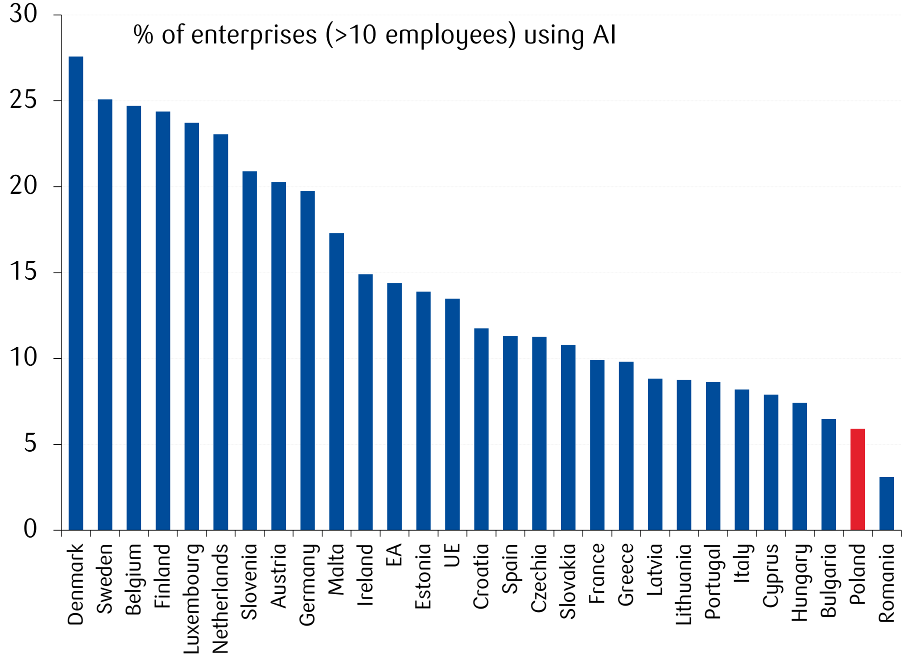
- **OECD estimates indicate that investment in AI development in Poland in 2023 amounted to EUR 14.8bn, which was the fifth-highest value in the EU.** Expenditure in Germany and France clearly surpasses that in other EU countries, while in the Netherlands and Italy it was several tens of per cent higher than in Poland.
- In Poland, more than EUR 10bn of AI-related outlays consist of estimated remuneration of IT specialists working on artificial intelligence-related topics. Such a structure suggests that they may be working for entities located in other countries.

Low potential for AI-driven productivity growth in Poland

Estimates of the impact of AI on productivity in European countries



The share of enterprises using AI in 2024



- **The International Monetary Fund estimates that productivity gains associated with the use of AI tools in the Polish economy will be among the lowest in Europe.** In the most likely scenario, the cumulative effect over five years will amount to around 0.5%, while even the most optimistic scenario would deliver productivity gains of less than 2%.
- Productivity gains depend on the exposure of different sectors and occupations to AI, that is, the extent to which artificial intelligence can automate or support the tasks performed; on firms' incentives to adopt AI, in particular potential savings in labour costs; and on average productivity growth across occupations. **In general, productivity gains from AI are greater in countries with high labour costs (stronger incentives to replace human labour with algorithms) and with a large role of specialised services, where the gains from automation are the highest.** This is one of the reasons for Poland's weak performance in this comparison.

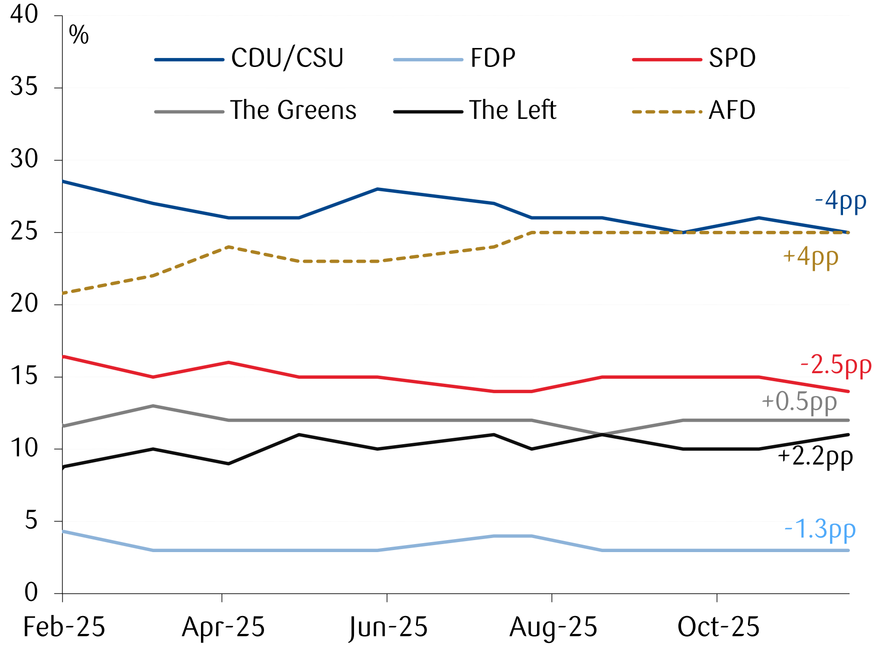
#4 (Geo)politics may disrupt the macro scenario

Political tensions in Germany?

Local elections in Germany in 2026

Where?	When?	Who is in power now?	Support according to current polls
Baden-Württemberg	8 March	The Greens - CDU	CDU: ~30% AfD: ~ 20% The Greens: ~19%
Rhineland-Palatinate	22 March	SPD-The Greens-FDP	CDU: ~30% SPD: ~ 22% AfD: ~18%
Saxony-Anhalt	6 September	CDU-SPD-FDP	**AfD: ~40%** CDU: ~ 25% Linke: ~12%
Berlin	20 September	CDU-SPD	CDU: ~ 22% Linke: ~ 18% AfD: ~16%
Mecklenburg-Western Pomerania	20 September	SPD-Linke	**AfD: >30%** SPD: ~20% CDU: ~15%

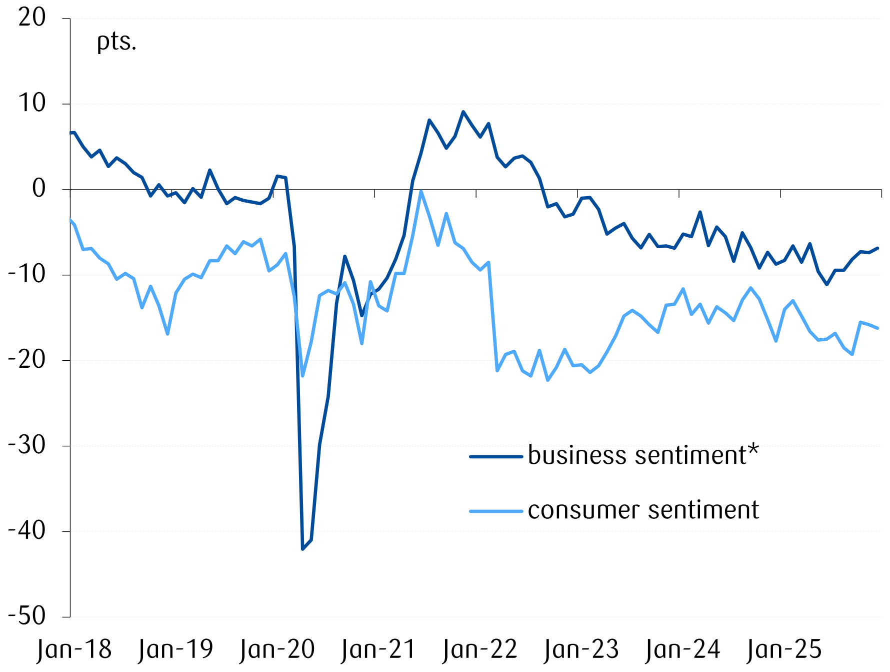
Support for the main political parties against the backdrop of the February 2025 election result



- **Federal elections in Germany are not scheduled until March 2029, but in 2026 local elections will be held in five Länder, serving as a test of support for the governing coalition.** In at least two of them, this test may deliver painful results for those in power – polls indicate a high probability that in two eastern Länder, Saxony-Anhalt and Mecklenburg-Western Pomerania, the AfD will emerge as the election winner, and the scale of the victory could even pave the way for the far right to form single-party governments. In the remaining Länder, the AfD is far from victory, but support for the party is steadily increasing.
- Falling support may intensify frictions within the coalition, making it more difficult to implement the ambitious fiscal plans that form the foundation of assumptions regarding an improvement in economic conditions in Germany in 2026 and 2027.

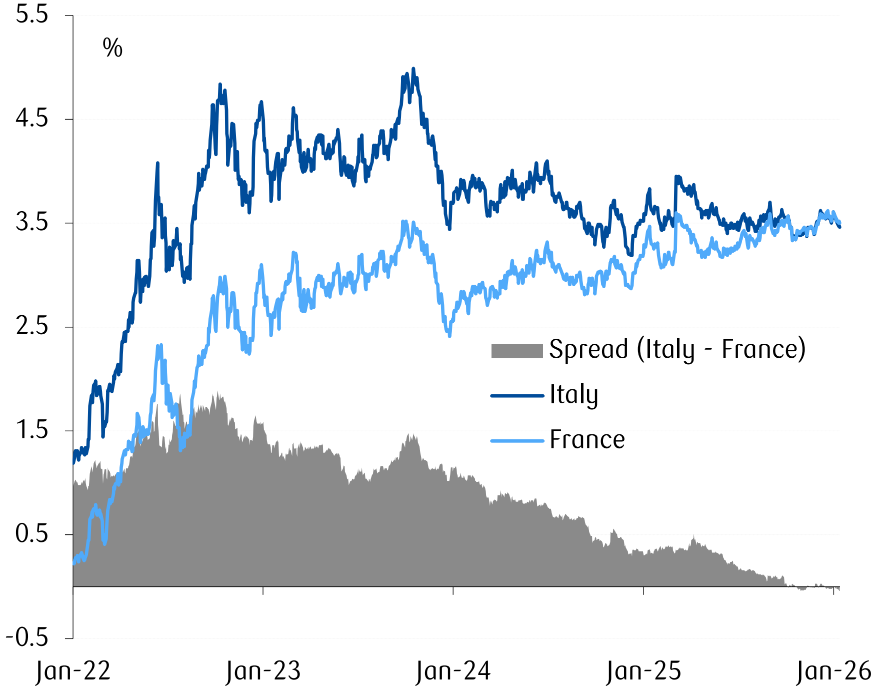
Is France the new Italy?

Economic surveys



*a weighted index for industry, services, construction and trade based on the ESI

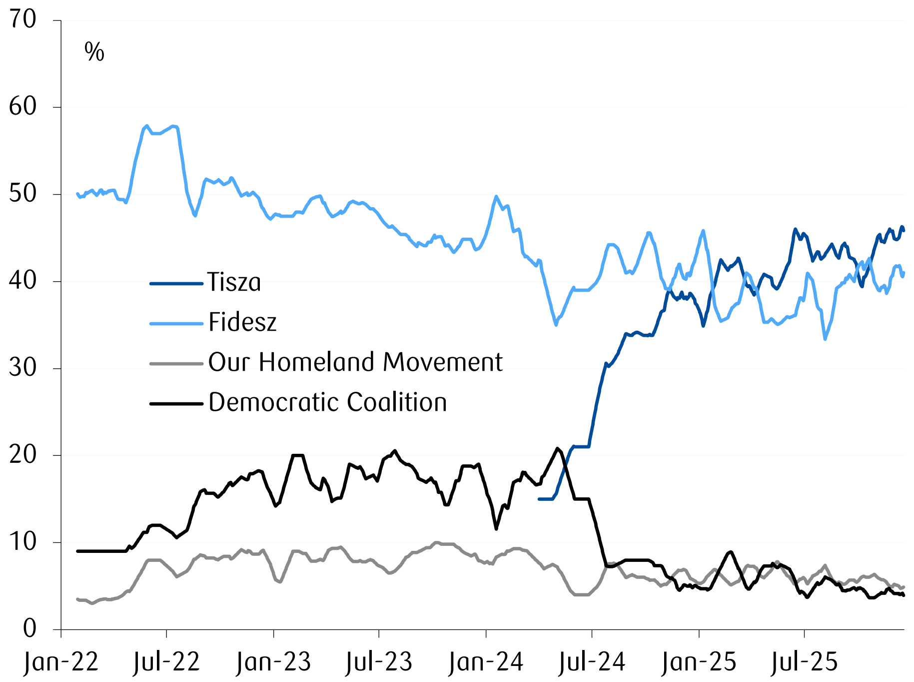
10Y government bond yield



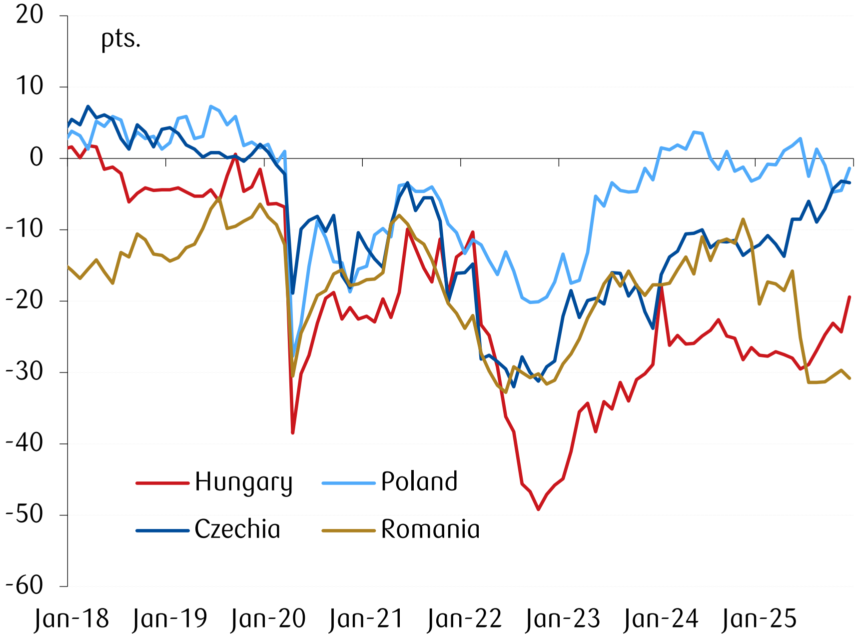
- **Since January 2024, France has had five prime ministers.** In an increasingly fragmented parliament, it is becoming ever more difficult to build a majority coalition, while support for the National Rally is steadily rising.
- **France entered 2026 without an adopted budget**, around which a parliamentary battle is still ongoing. The consequences include, among others, delays to pension reform, the absence of a reduction in the deep deficit (over 5% of GDP), and the inability to increase defence spending. Passing the budget by the end of January (as declared by the prime minister) would amount to a political miracle. If this miracle does not materialise, President E. Macron will face a choice between attempting to form yet another government based on the current parliament (which offers little chance of success), calling early parliamentary elections, or… resigning from office – an outcome most hoped for by the National Rally.

Hungary – is it possible to defeat V. Orbán?

Opinion polls of support for political parties



Consumer sentiment



- **Parliamentary elections will be held in Hungary on 12 April. For the first time since 2010, the Fidesz party led by V. Orbán may fail to win.**
- V. Orbán's 15-year dominance may be brought to an end by his former associate – P. Magyar, who in 2024, on the back of protests following the outbreak of a corruption scandal, founded the TISZA party. In its programme, TISZA announces a fight against corruption, cooperation with Europe (although it is not as pro-European as the traditional opposition), and defines itself as a centrist party. TISZA is gaining support not only among voters of traditional opposition parties but is also taking votes away from Fidesz.
- Despite the lead in opinion polls, a victory for P. Magyar is not a foregone conclusion – it will be hampered by changes to the electoral law introduced by Fidesz, as well as the ruling party's control over the media.

Will the midterm elections strengthen or weaken D. Trump?

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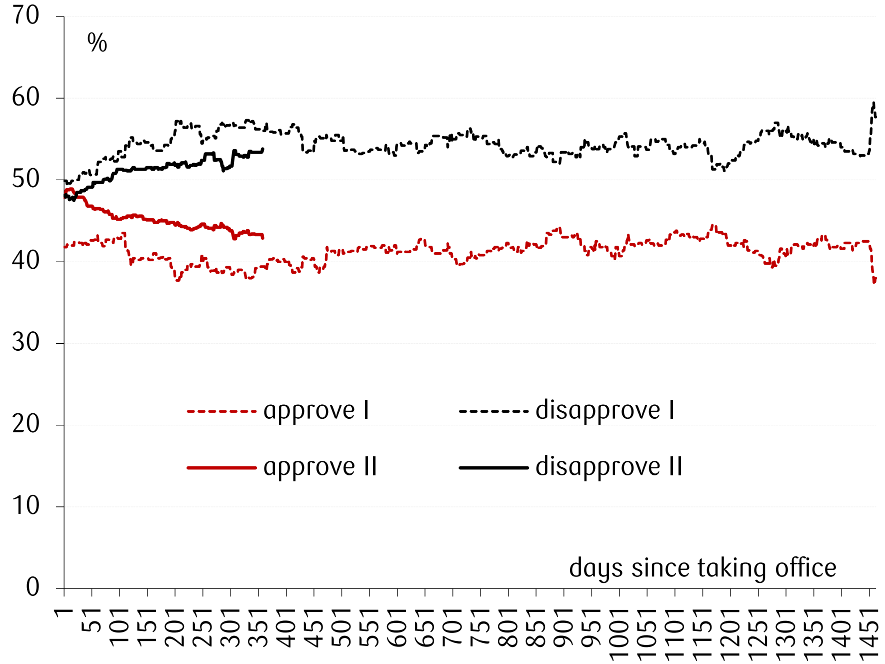
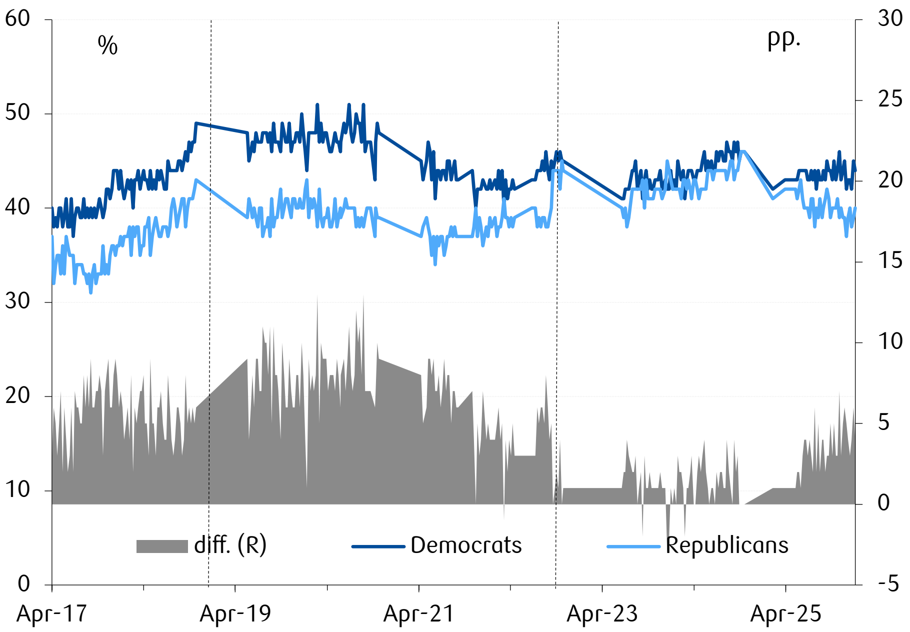
D. Trump's approval ratings according to polls in the first (I) and second (II) term



Support for the Democrats and Republicans



- **The midterm elections will be held on 3 November. They will elect a new House of Representatives, one third of the Senate, and many governors.** At present, Republicans hold narrow majorities in both chambers (218:213 in the House of Representatives, 53:45 in the Senate, with two independent senators). The election results will either strengthen D. Trump's single-party rule or force him into cohabitation, introducing effective congressional oversight over the administration.
- **Polls indicate an advantage for the Democrats, slightly larger than at the comparable stage of the campaign ahead of the 2022** (midterm) and 2024 elections. On the other hand, although disapproval dominates in evaluations of D.Trump, the balance of opinions about the President is more favourable than at the analogous stage of his first term (when, in the midterm elections, Democrats took control of the House of Representatives but failed to secure a majority in the Senate).
- **According to polls, the issues that are key for voters are the cost of living** (housing, healthcare, food), and D. Trump's (Republican) actions in these areas are not viewed positively.

#5 Prospects for a ceasefire in Ukraine – Implications for Poland

Ukrainians are not inclined to make tough compromises regarding ending the war

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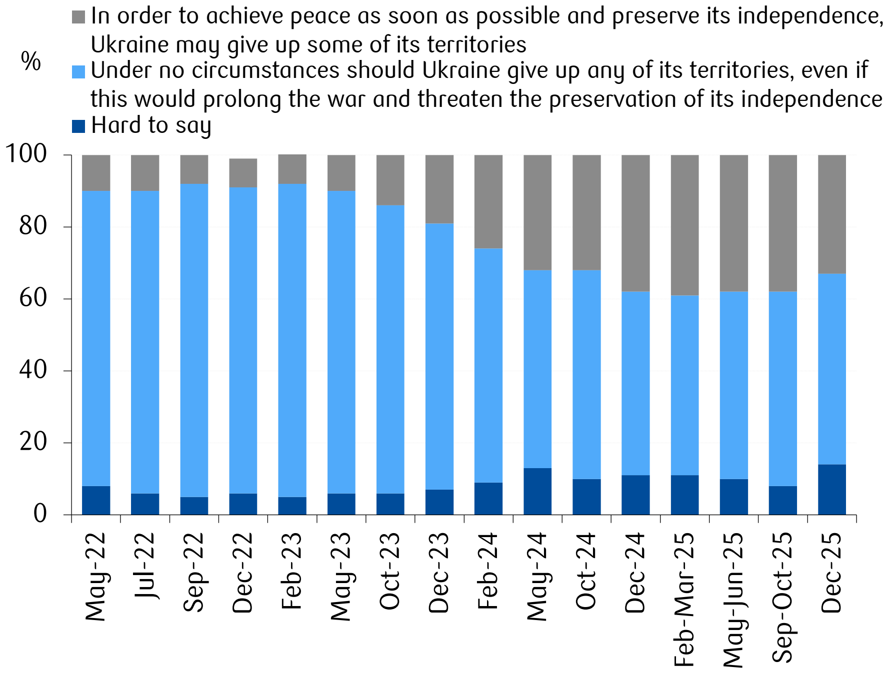
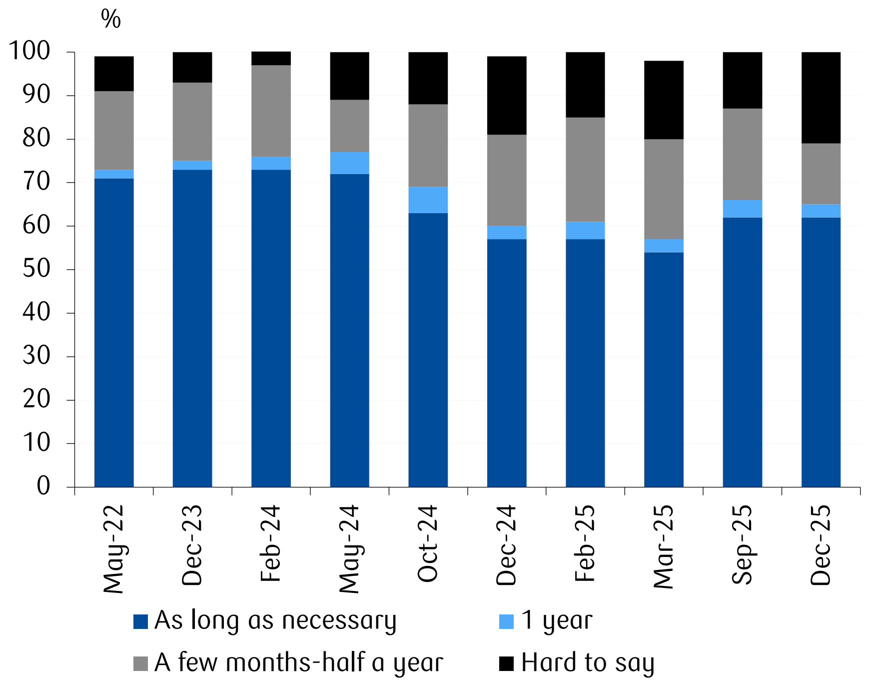
Share of responses agreeing with one of the following statements regarding achieving peace with Russia

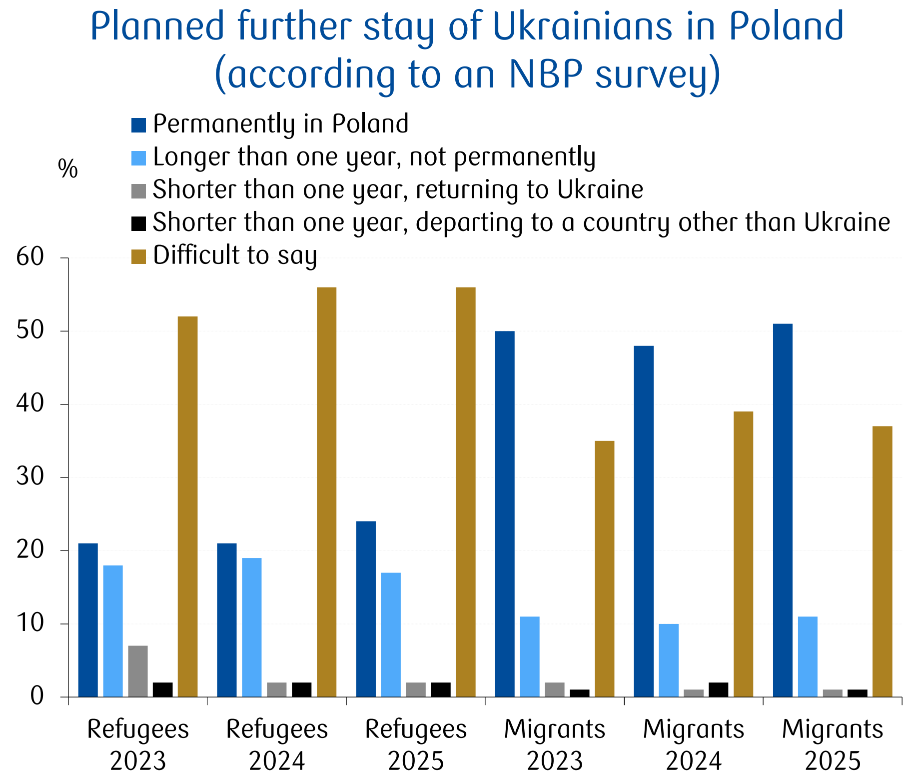


Responses to the question: "How long are you able to endure the war?"



- According to a survey conducted by the Kyiv International Institute of Sociology in November and December 2025, **nearly 30% of Ukrainians living in Ukraine expect the war to end no earlier than 2027**. Only 10% expect the war to end at the beginning of 2026, and 16% in the 1h26.
- **Ukrainians' willingness to make territorial concessions in order to achieve peace has weakened slightly** (33% of respondents declared such an option). Nearly 69% of respondents (most of them reluctantly) would be able to accept a peace plan developed by Ukraine and the EU. At the same time, as many as 62% of those surveyed stated that they are able to endure the war for as long as necessary.

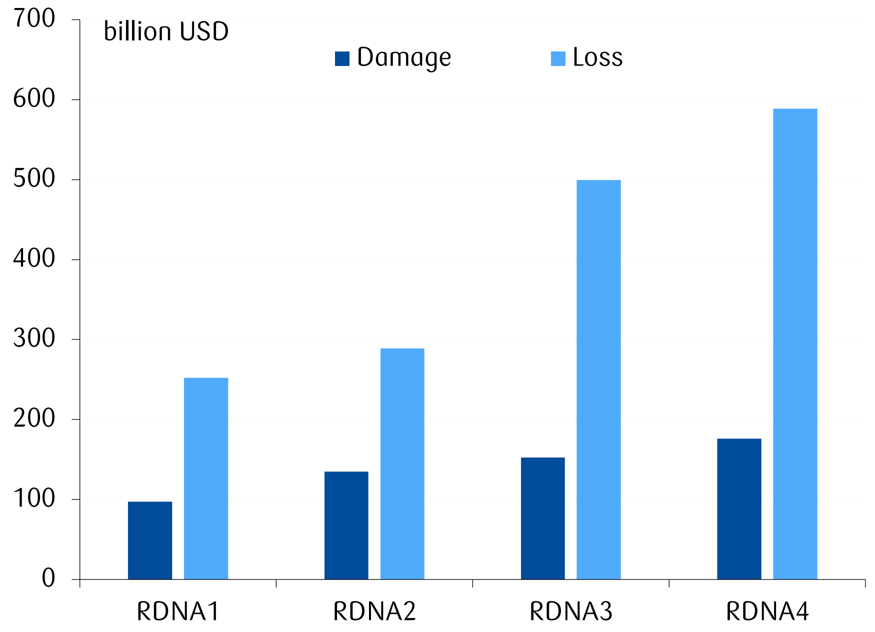
Peace in Ukraine is a challenge for the Polish labour market…



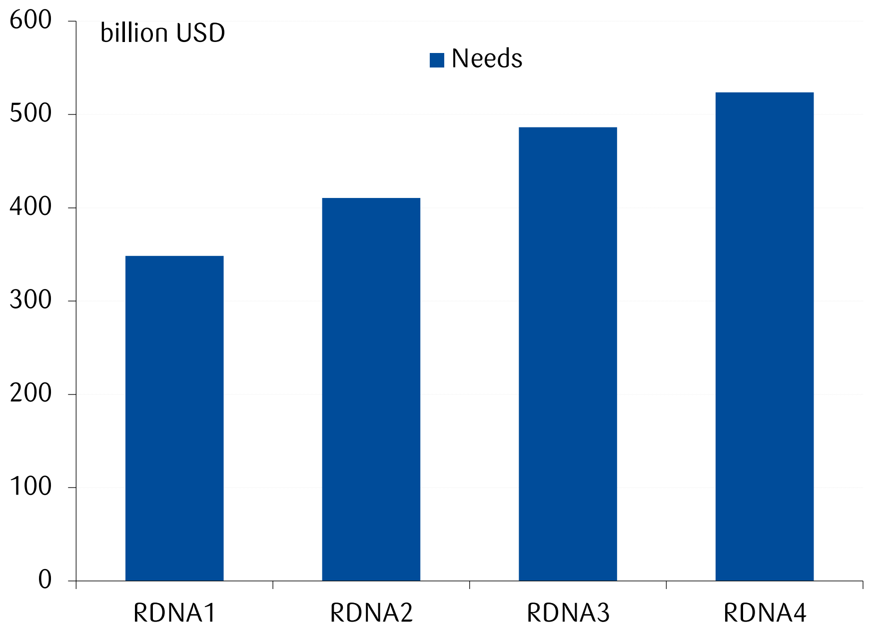
- **The scale of the potential outflow of migrant workers in the event of peace in Ukraine is difficult to estimate, not least because of divergent estimates regarding the number of Ukrainians working in Poland.** According to Social Insurance Institution (ZUS) data, at the end of October 2025 there were slightly over 850 thous. Ukrainians employed in Poland.
- **According to NBP survey research, among pre-war migrants nearly half of migration has a settlement character.** Among all migrants (including refugees), a relatively high share of respondents (on average 45%) are unable to determine their future plans regarding staying in Poland. Under these conditions, based on ZUS data and assuming different scenarios for undecided respondents, we estimate that the potential outflow of workers from Ukraine would fall within the range of 154 thous.–540 thous., although it is subject to considerable uncertainty, particularly with regard to its timing.

…but also an opportunity for Poland as an economy participating in the reconstruction of Ukraine

World Bank estimates of the scale of destruction and losses in Ukraine



World Bank estimates of Ukraine's reconstruction needs



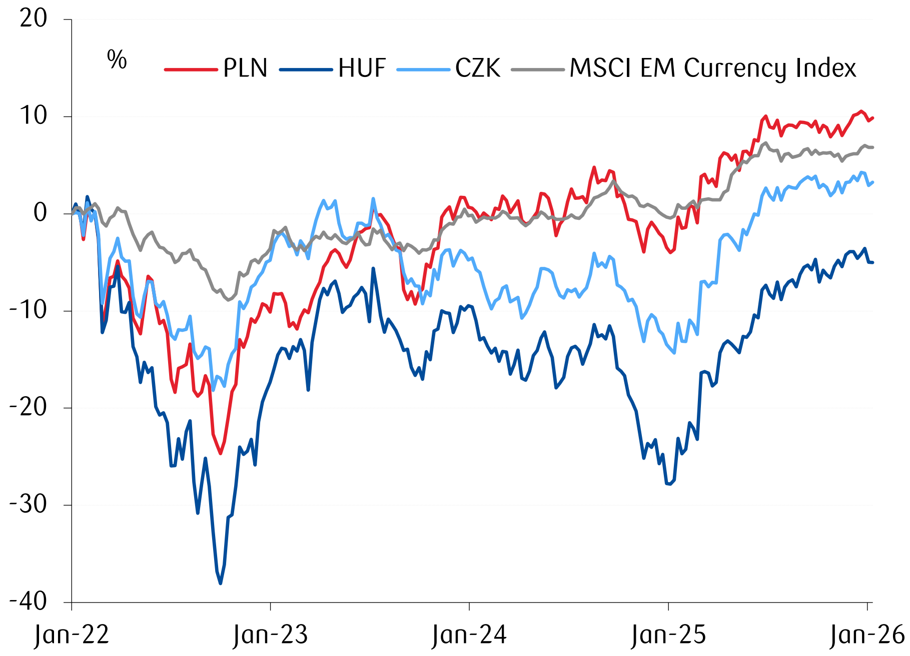
*RDNA = Rapid Damage and Needs Assessment, RDNA1 (lut-czer 2022), RDNA2 (lut 2022-lut 2023), RDNA3 (lut 2022-gru 2023), RDNA4 (lut 2022-gru 2023)

- **According to estimates by the World Bank, the Ukrainian government, the European Commission, and the United Nations, the total cost of rebuilding Ukraine (as of the end of 2024) is expected to amount to USD 524 billion over the next decade, which is nearly three times Ukraine's annual GDP.**
- As with ongoing military support, Poland will most likely serve as an important logistics hub, and due to its direct neighborhood, Polish construction, industry, transport and warehousing, as well as specialized services, including IT, may particularly benefit from the reconstruction effort.

The end of the war in Ukraine as an impulse for strengthening the złoty

Bank Polski

Percentage change in exchange rates vs USD since the outbreak of the war in Ukraine



SWOT analysis

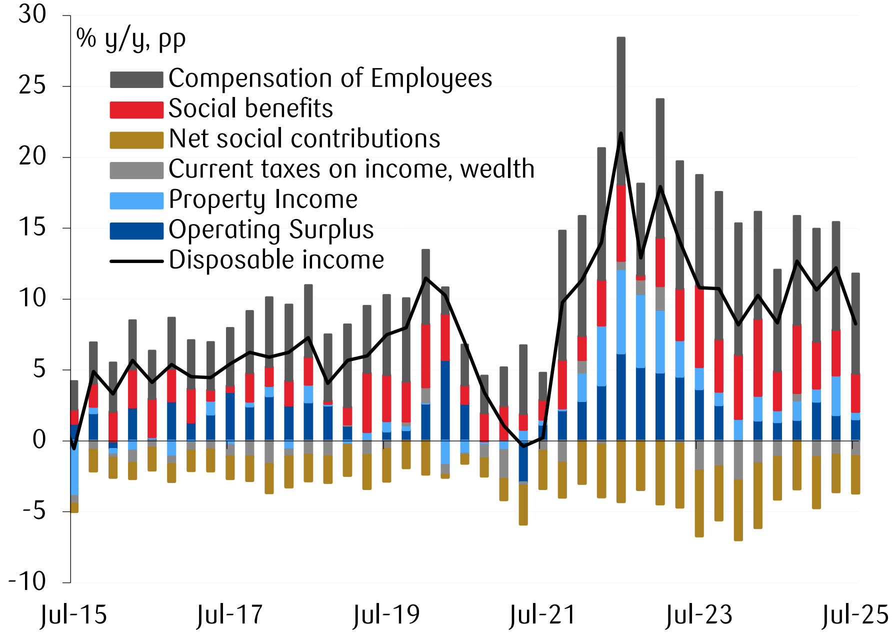
S (Strengths) – supports the PLN	W (Weaknesses) – weakens the PLN
· Decline in the geopolitical risk premium for the CEE region	· Risk of faster NBP interest rate cuts (declining inflationary pressure / energy prices)
· Inflow of portfolio capital	· Outflow of workers – potential slowdown in GDP growth
· Increase in exports of goods and services to Ukraine	
O (Opportunities) – opportunities for the PLN	**T (Threats) – threats to the PLN**
· Reconstruction contracts: construction, infrastructure, services	· Fragile ceasefire / breach of agreements (return of the risk premium)
· Poland as a logistics and service hub for Ukraine	· Poland being bypassed in reconstruction contracts (decline in investment attractiveness)
· Improvement in the balance of flows (services exports + investment in the region)	· Credit / political risks of reconstruction projects (delays, insolvencies)

- **In a scenario where the war in Ukraine ends in 2026, we forecast a decline in the EURPLN and USDPLN exchange rates by approximately 1–2% in the short term (1–4 weeks).**
- The direct impulse for the strengthening of the złoty will be a reduction in the geopolitical risk premium for the Central and Eastern European region, which will translate into an inflow of foreign portfolio capital into the Polish capital market (both equities and bonds), as well as a decline in the cost of hedging forward positions denominated in PLN. In our assessment, however, this factor has already been partly priced in during 2025, as a result of the negotiation process initiated by D.Trump. The scale of PLN appreciation may be limited by rising market expectations of deeper interest rate cuts by the NBP, stemming from lower inflation expectations driven by reduced forecasts for global energy commodity prices.
- **In the longer term, the impact of the economic consequences of the end of the war on the strength of the PLN will be more balanced**, as its effect on Poland's GDP growth dynamics will depend, among other factors, on the scale of Polish companies' participation in the reconstruction of Ukraine, as well as on the magnitude of the outflow of Ukrainian citizens from the Polish labour market.

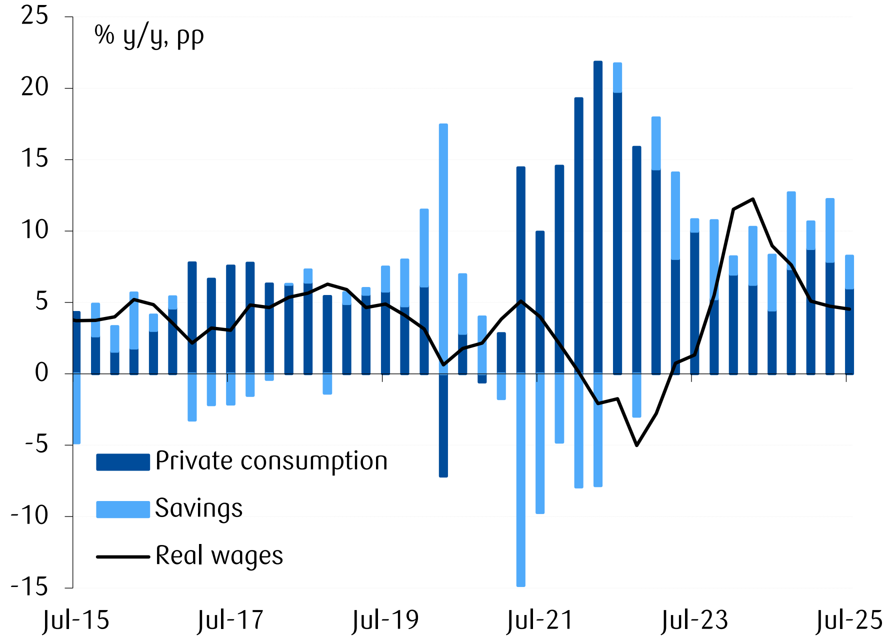
#6 The (un)thrifty Polish economy

Household budgets are becoming increasingly diversified

Decomposition of household income



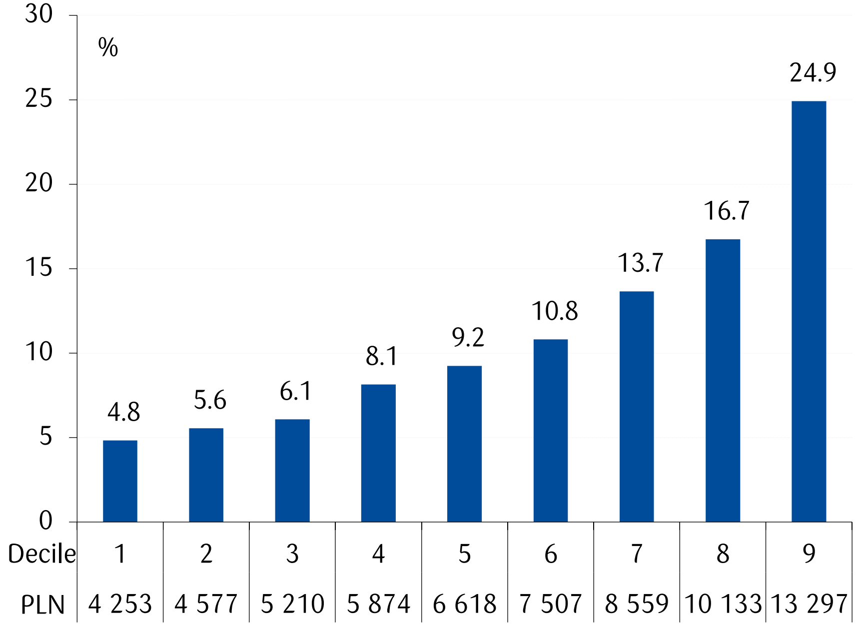
Use of income



- **As a consequence of the recent crises** – the pandemic and the energy crisis – **the financial situation of households (HH) deteriorated markedly, as reflected in a slowdown in the growth of their real incomes.** In the subsequent phase, a sharp increase in inflation led to a significant acceleration in nominal wage growth, which became a key factor in the reconstruction of HH budgets and, following the decline in inflation, also in real terms. Additional support for HH income was provided by the tax reform implemented under the Polish Deal. On the other hand, HH paid higher social security contributions.
- **A crucial factor enabling HH to weather the period of crises was previously accumulated savings**. Initially, in the face of negative shocks, HH drew on these savings to maintain a relatively stable level of consumption. **However, as real wages began to rise, scope emerged for rebuilding savings**, allowing for more sustainable HH budget management over the longer term. In this chapter, savings are discussed primarily as defined in the national accounts framework.

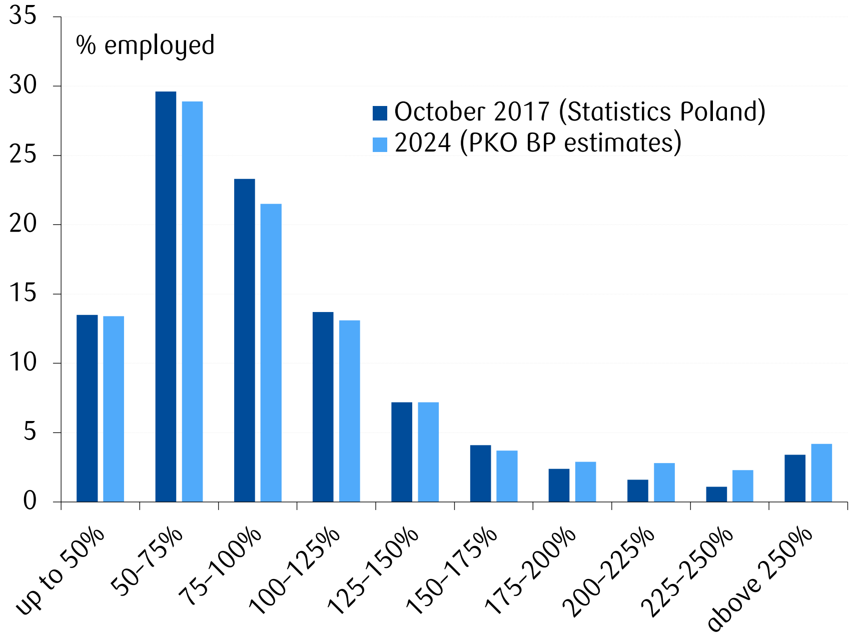
A wealthy society is a saving society

Savings generation in 2024 by deciles of average wages*



*Average wages by deciles based on Statistics Poland data

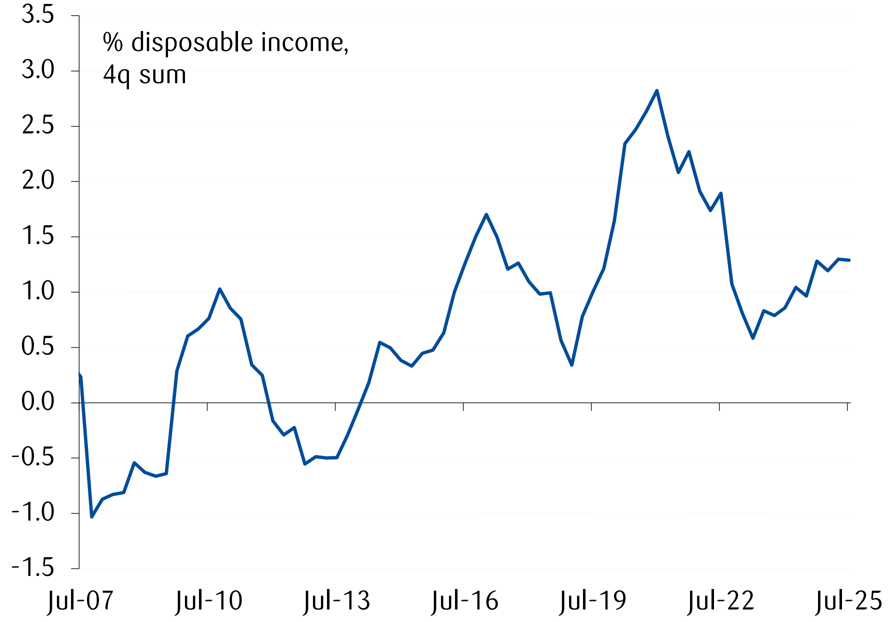
Changes in the wage distribution relative to the average wage



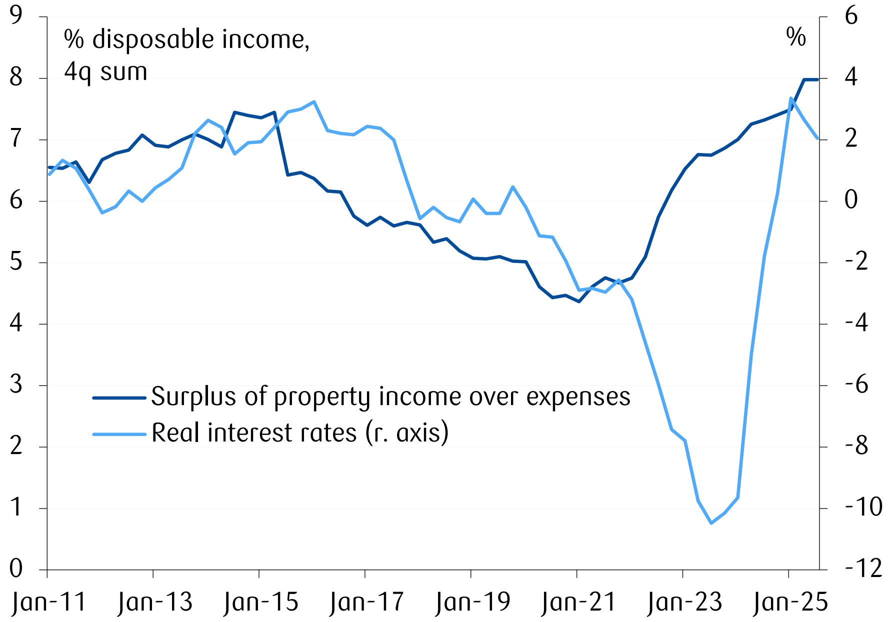
- HH savings rate has been on a long-term upward trend, closely linked to improving real incomes.
- Our estimates indicate that savings continue to be generated primarily by high-income earners. **In 2024, individuals earning more than approximately 8.5 thous. PLN gross per month accounted for around 60% of total savings, despite representing only about 23% of total employment**.
- **The wage distribution in the economy has for years been characterised by pronounced right skewness** - the majority of workers earn below the average, while the distribution above the mean is clearly elongated. **Our analysis suggests that not only is the average wage rising, but the structure of the income distribution itself is changing, with an increasing share of individuals earning above the average**. This implies a growing number of HH with sufficient financial capacity to generate savings.

New sources of household income

Balance of the social benefits system



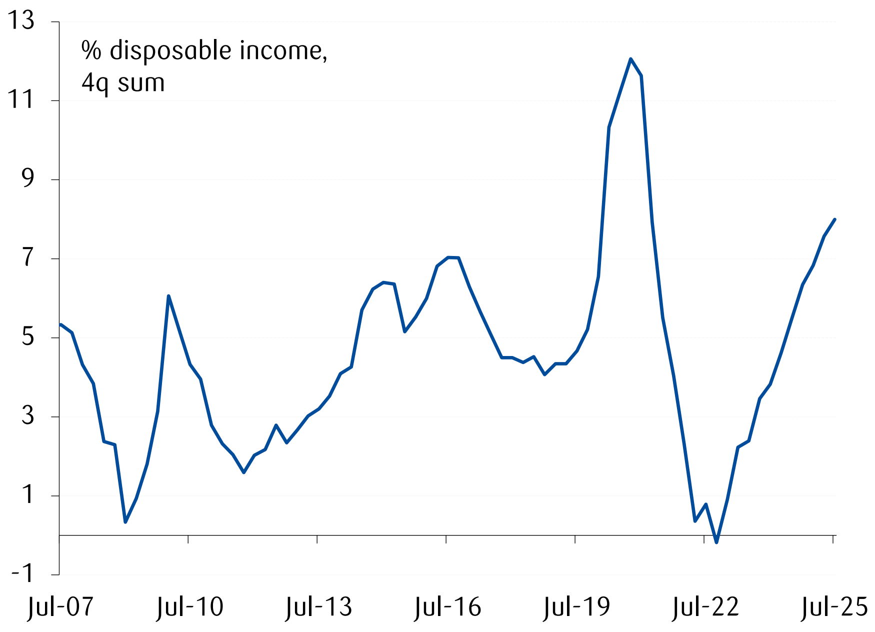
Household property income



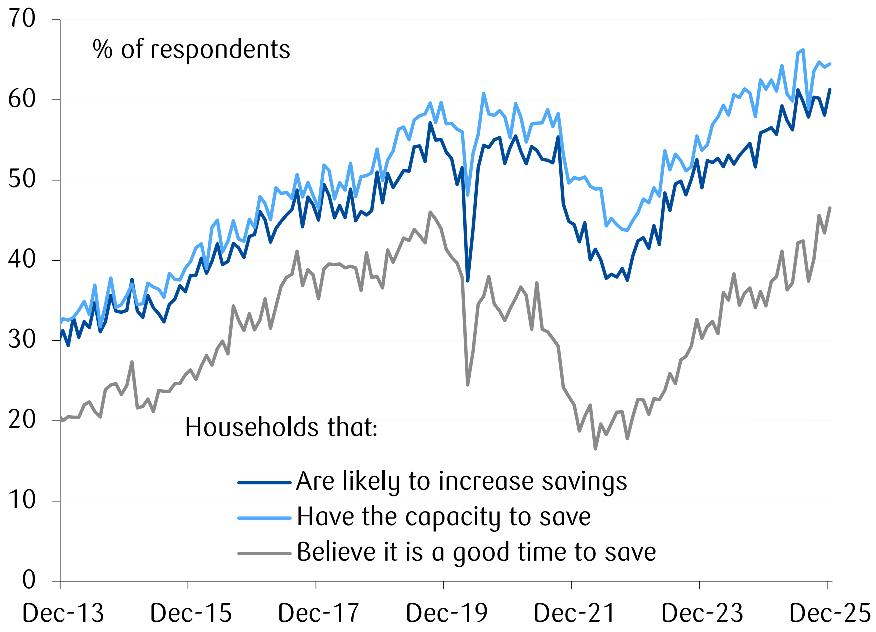
- **One of the key "new" sources of HH income has been the public sector, which, particularly since the introduction of the 500+ programme, has shown a rising surplus of funds transferred to HH** in the form of social benefits relative to HH contributions to the general government (GG) sector in the form of social security payments. While this trend has been favourable for HH, it appears controversial in light of the challenges associated with the deteriorating financial position of the GG sector. As a result, maintaining such a surplus over the longer term seems unlikely.
- An increase in real interest rates, while potentially constraining current consumption, simultaneously encourages HH to allocate funds to financial instruments such as bank deposits and securities. This trend, combined with a low level of credit growth in the economy, has led to the emergence of a HH surplus from property income. In practice, this means that **HH earn more in interest on their savings than they pay in interest on outstanding loans. In recent years, this gap has widened further, providing an additional factor supporting HH budgets.**

Savings rate at historical highs

Savings rate



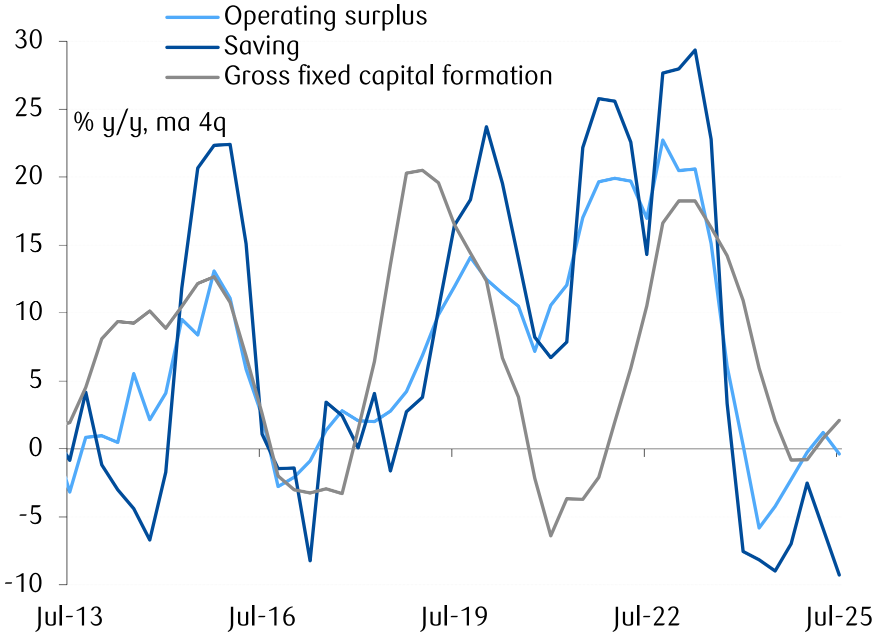
Households' propensity to generate savings



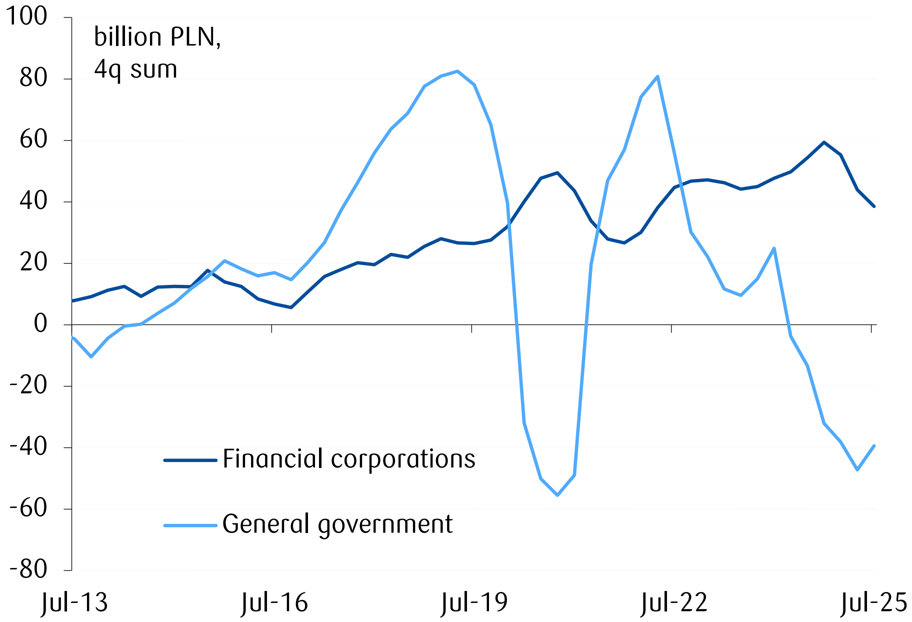
- Over the past three years, real wage growth, combined with additional social benefits and interest income, has led to the emergence of a surplus of HH income over consumption. **This surplus has enabled the accumulation of savings, resulting in the HH savings rate rising to the highest level in the last two decades,** with the exception of a short-lived fluctuation during the pandemic.
- **Survey data confirm that a record-high share of HH report having scope to build savings and assess current conditions for saving positively.**
- **We expect the HH savings rate to remain above its historical average in the near term, and potentially even above its previous peak**, supporting an improvement in the overall savings rate in the economy. A high level of savings will provide HH with a safety buffer in the event of future crises, although in the short term it limits the scope for consumption growth.

Others have limited scope to save

Non-financial corporations



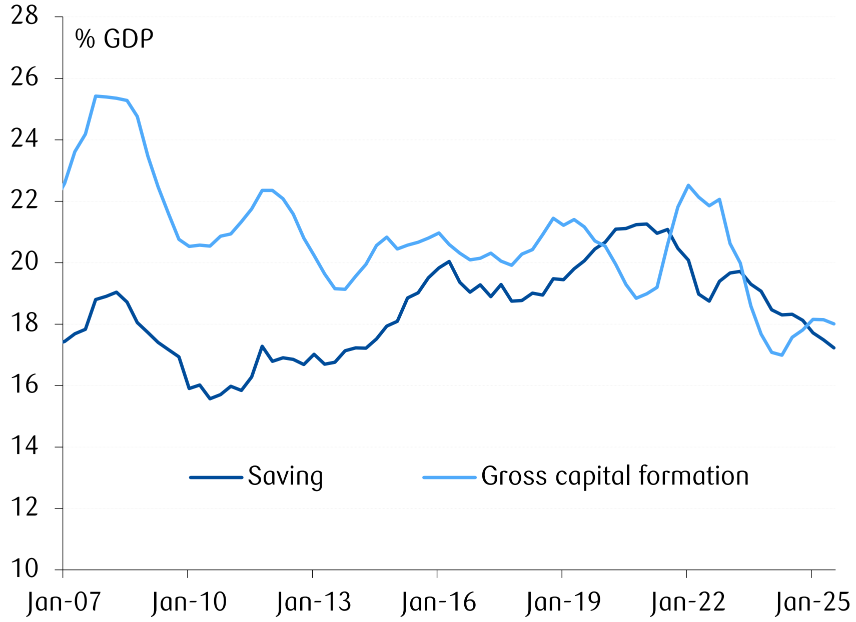
Savings of other sectors (in national accounts terms)



- An analysis of the economy as a whole shows that not all sectors have generated savings to the same extent as HH. **The largest share of total savings is attributable to non-financial corporations. While corporate savings increased markedly during the pandemic, supported by financial relief measures, the past two years cannot be considered favourable for them.** Recent crises have led to a deterioration in nominal corporate incomes, which in turn reduced their capacity to generate savings and continue investing.
- Other sectors of the economy have also faced challenges in building savings. **An expansionary fiscal policy aimed at stimulating economic activity constrained the scope for savings accumulation.** Even the financial sector, despite its relatively strong condition, followed the broader trend and recorded a decline in savings in recent quarters. This development was closely linked to lower incomes and reflected wider structural challenges facing the economy.

Savings as a prerequisite for investment

Savings rate and investment rate*



*Investment is defined here as capital formation (investment plus changes in inventories).

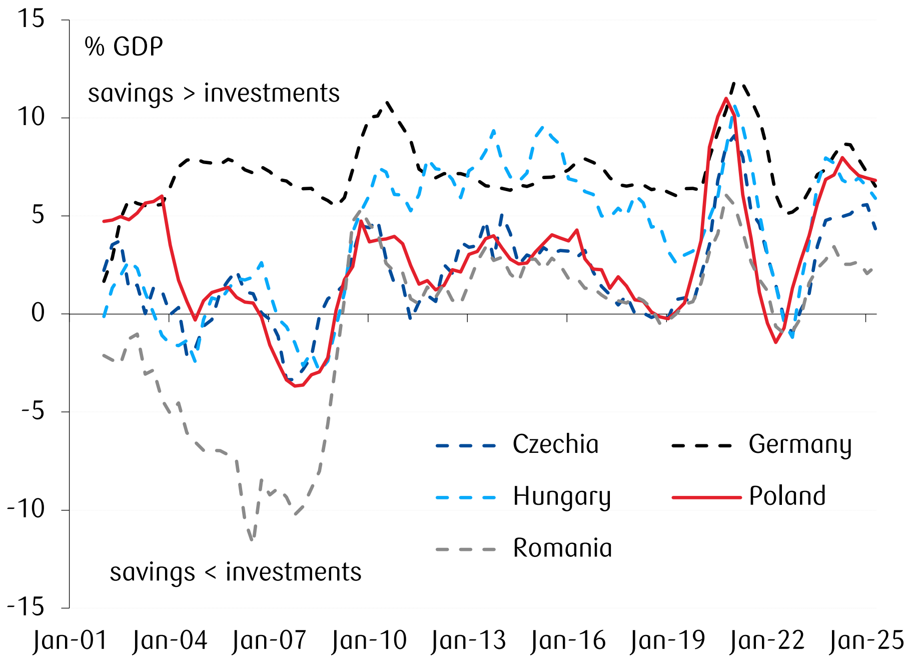
Use of savings for investment – Feldstein–Horioka index**

**Long-term elasticity between savings and investment (40-quarter estimation window).

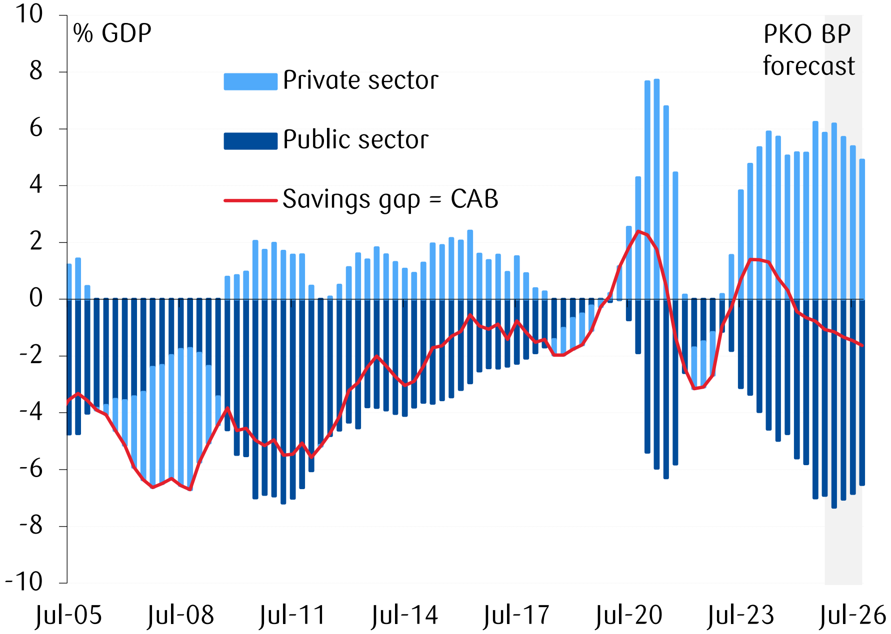
- **The level of investment in the economy is closely linked to the volume of savings. Prior to the pandemic, the savings-to-GDP ratio was rising, supporting an increase in the investment rate.** After the pandemic, the growth in HH savings has failed to offset declines in other sectors, which has pushed the investment rate lower.
- Following a period of strong positive correlation, the coefficient measuring the use of savings to finance investment began to decline after 2016, reaching a trough in 2018, when the relationship turned negative. This period was characterised by a so-called private saving glut, associated with the accumulation of excess savings in the private sector alongside fiscal consolidation in the public sector, while investment was constrained by non-financial factors.
- **In the post-pandemic period, the coefficient has begun to rise again. The increase since 2021 reflects a diminished role of foreign financing amid heightened geopolitical uncertainty, which has increased the importance of domestic savings in funding investment.**

Households prefer financing the fiscal deficit to investing

Private savings gap



Economy-wide savings gap



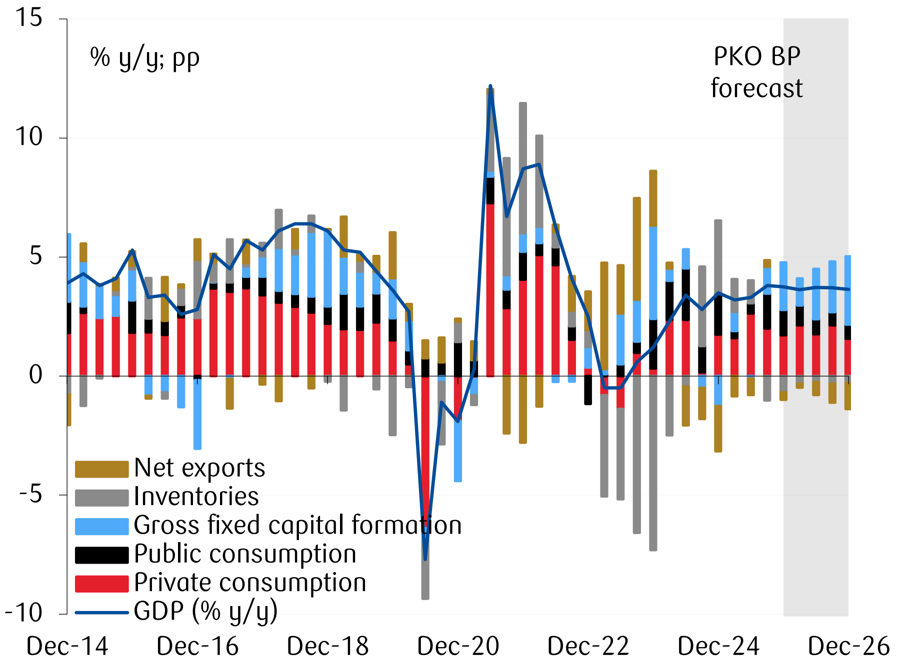
- **Despite a decline in the savings rate, the private sector has recorded a historically high surplus of savings over investment in recent years**. This has been driven primarily by rising HH savings. Firms, unlike HH, are more inclined to deploy their savings towards investment.
- HH more often choose to use their financial surpluses to finance the fiscal deficit. **As HH savings increase, it has been possible to maintain a relative balance in the current account despite strong fiscal expansion** and the absence of a robust investment recovery. This follows directly from the identity CA = S – I (savings minus investment).
- **In the event of an investment recovery projected for 2026** (not solely based on EU funds), **combined with a lack of fiscal deficit reduction and no acceleration in savings growth** (due to lower real interest rates), **a deterioration in the current account balance may occur**. This, in turn, could lead to the emergence of so-called twin deficits, posing a risk to the country's macroeconomic stability.

Part Two
Perspectives for the Polish economy

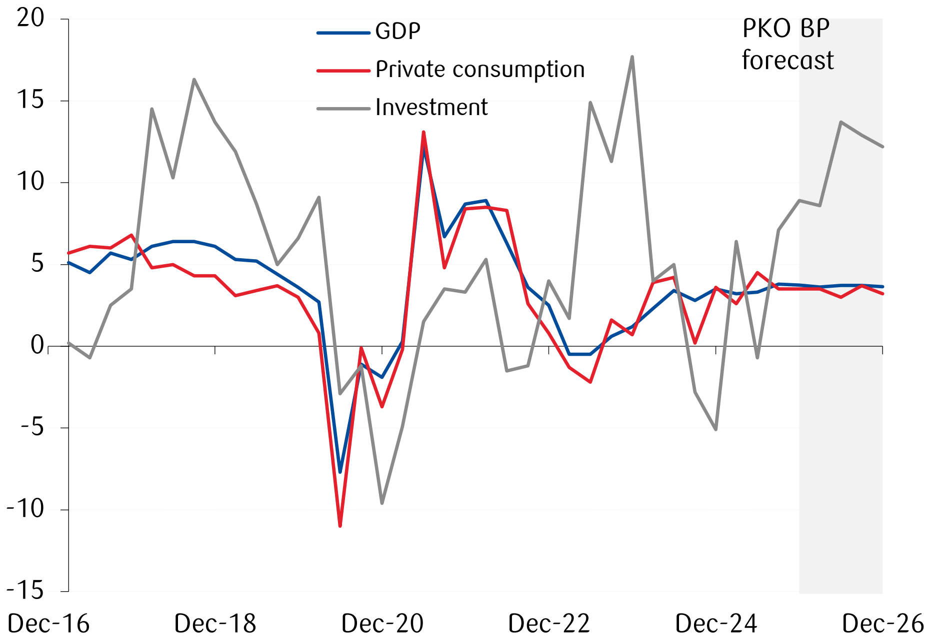
#7 Investment as the engine of growth

In 2026, GDP growth will be supported by two strong pillars – investment and consumption

GDP growth decomposition



GDP main components



- **In 2026, investment will take over as the main engine of economic growth**, adding 2.1 pp to GDP growth versus 1.0 pp in 2025. In our view, investment growth will be double-digit and twice as strong as in 2025. Consumption growth will stabilize at around 3.5%—strong enough to support the economy, but not high enough to fuel inflation.
- At the same time, the contribution of consumption to GDP will be slightly weaker than that of investment activity (1.9 pp).
- Public consumption will also support GDP growth (+0.6 pp). On the downside, GDP growth will be weighed down by net exports (-0.7 pp) and inventory accumulation (-0.3 pp).

Company plans already signal a revival in private investment

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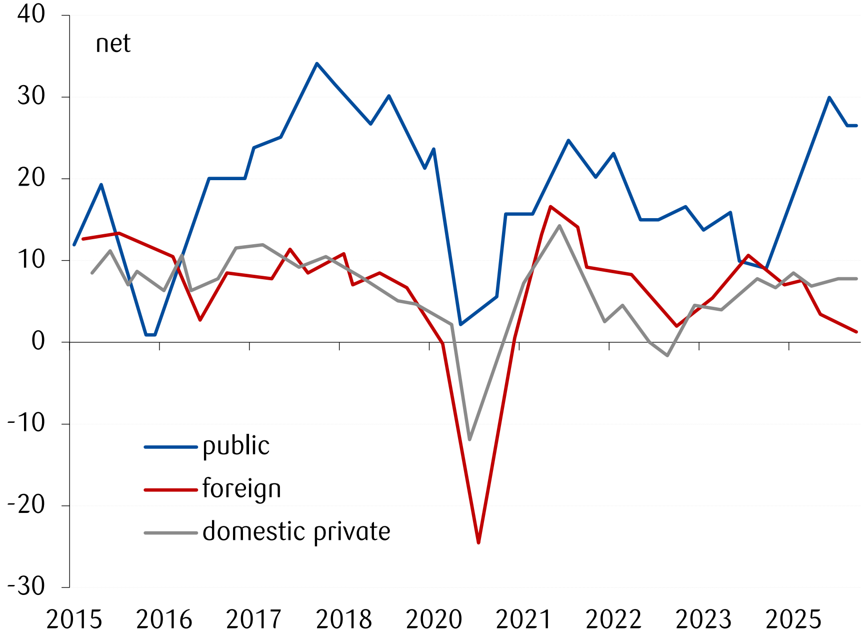
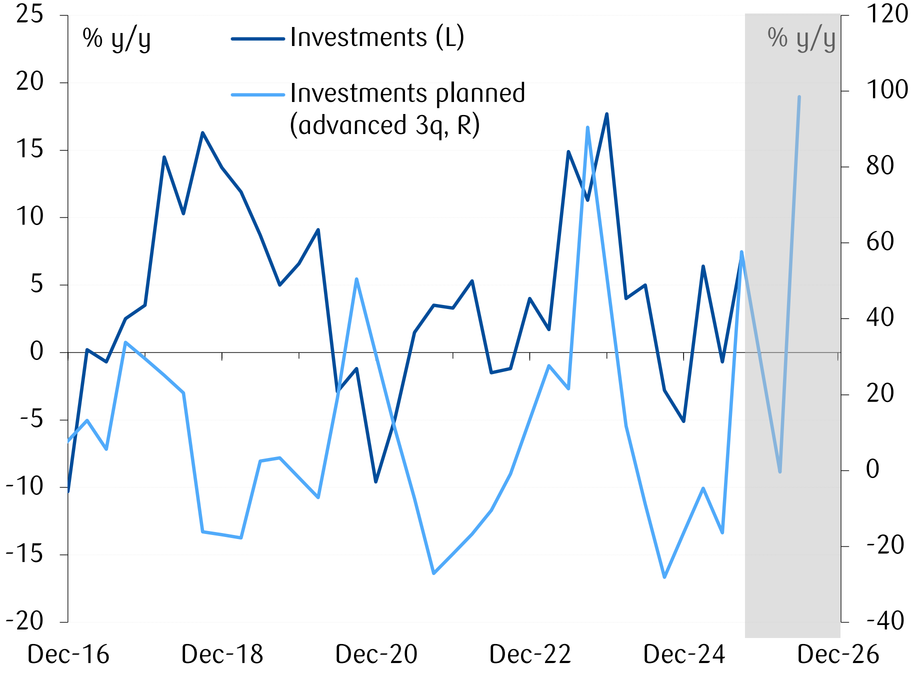
Planned change in the scale of corporate investment over a one-year horizon by ownership type



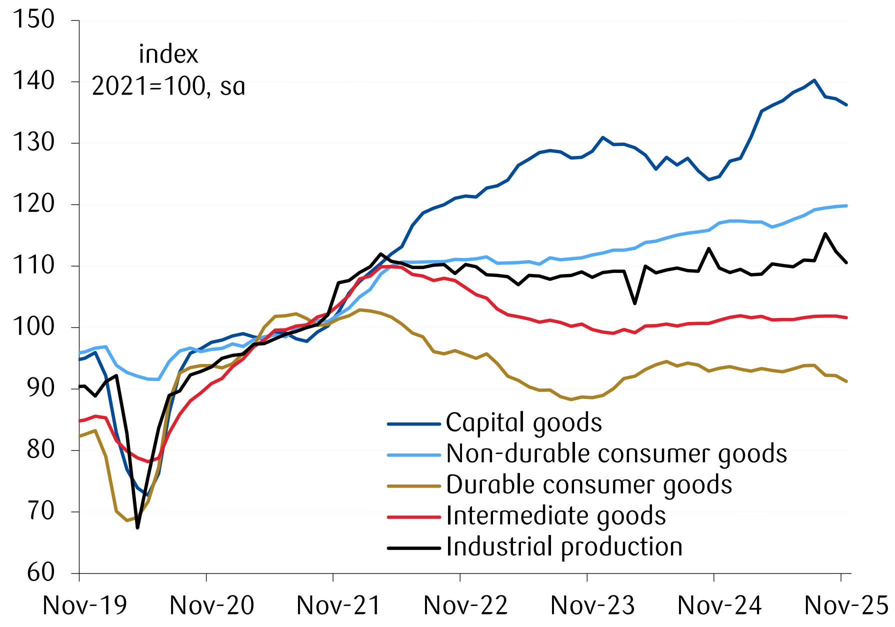
Planned investments



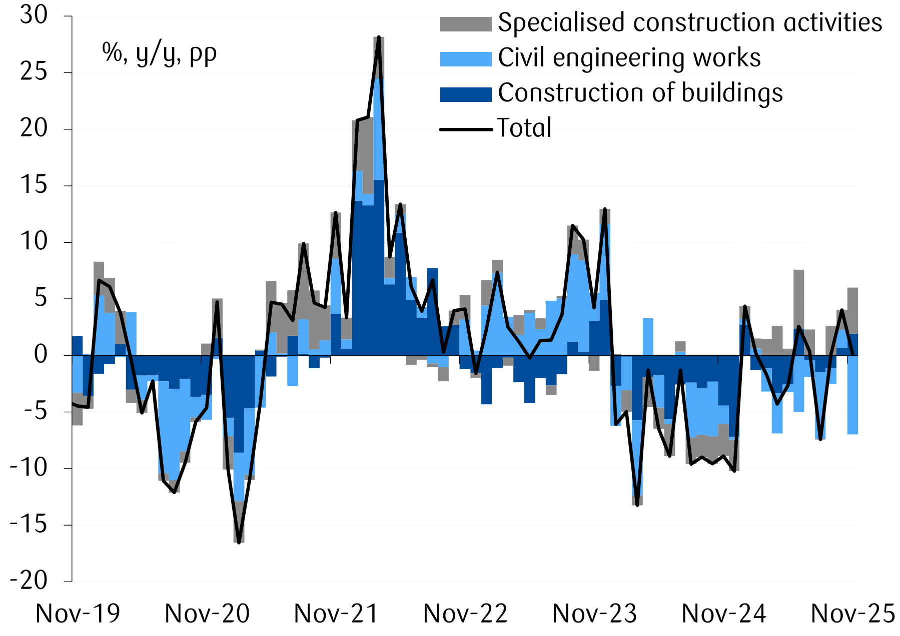
- **Domestic companies (especially those with a dominant share of public capital) are rapidly increasing their investment plans, and the estimated value of newly launched projects points to double-digit growth in investment spending in 2026.** Higher investment activity will be supported by a gradual improvement in corporate financial performance (slower growth in costs and better margins across most sectors) as well as lower interest rates.
- **At the same time, investment needs are substantial—mainly structural in nature**—forcing companies to adapt to demographic changes (automation), regulatory and competitive pressures (the energy transition), and technological developments (AI). Cyclical needs are also beginning to emerge in some industries. For example, capacity utilization in manufacturing has returned to its five-year average.

Other symptoms of a further revival in investment

Main categories of manufacturing output (indices seasonally adjusted by PKO BP)



Construction and assembly output growth



- **The growing appetite for investment is also reflected in production data.** For several months, within the structure of domestic industrial output, producers of investment goods have been performing the best.
- While construction output results for 2025 would clearly not support the thesis of high investment activity, it is worth looking at the composition of that output. The segment that has returned to sustained growth is specialized construction work, which often includes preliminary tasks carried out before the main stage of an investment project begins. **This structure of construction activity therefore serves as a kind of leading indicator of a rebound in the construction sector, which we expect in 2026**–driven both by infrastructure projects (the RRF and cohesion funds) and by a recovery in the residential real estate market (as a result of falling interest rates).

RRF disbursements are gaining momentum, alongside cohesion-fund flows

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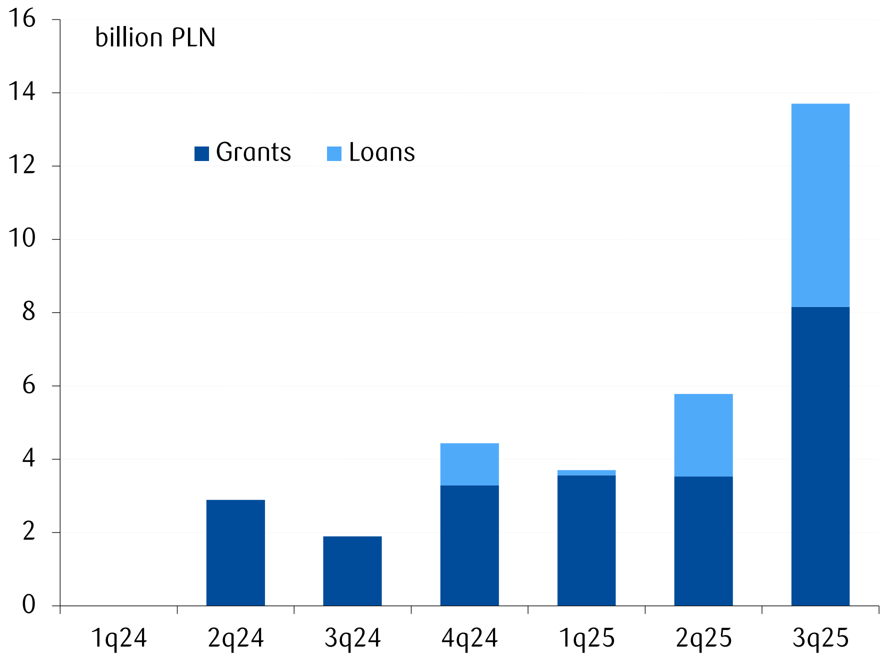
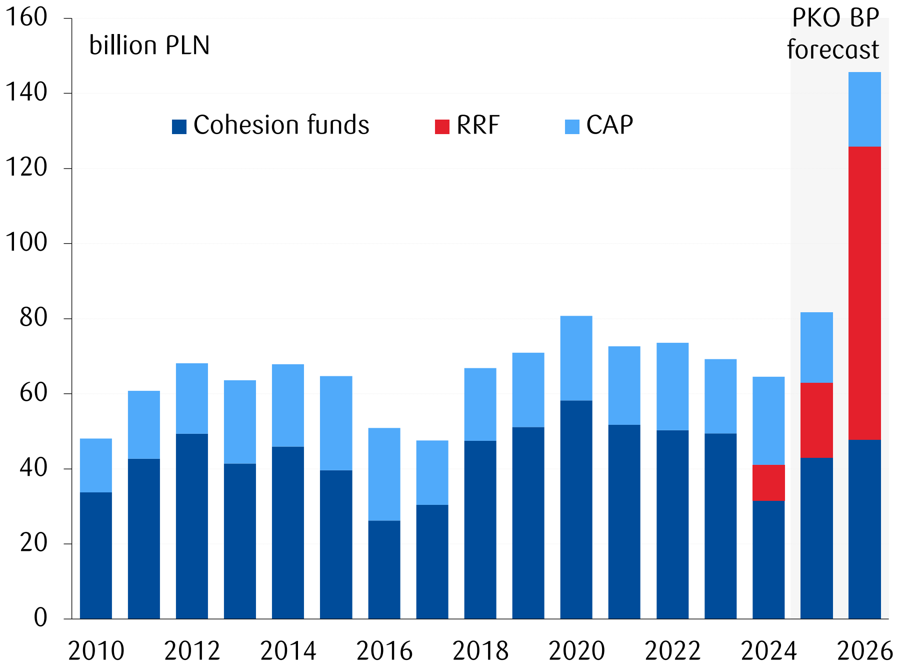
RRF disbursements



EU funds absorbtion



- **In the first half of 2025, the value of submitted funding applications and signed contracts under the RRF was steadily increasing, but the scale of actual funds flowing into the economy remained limited. This began to change in 3q25 and, in our view, signals a further intensification of flows in 2026.** Spending (as we define it—i.e., the transfer of funds to the beneficiary) from the grant component in 3q25 increased fourfold year on year, and an increasing number of investments are also being financed from the loan component. In total, the value of funds that reached the economy under the RRF in 3q25 alone amounted to PLN 13.7 billion.
- The pace of disbursement in 2025 was slower than our earlier assumptions. We would note, however, that the grant component is subject to a deadline at the end of 2026. **Of the total PLN 108 billion, nearly PLN 25 billion had been disbursed by the end of 3q25, leaving a substantial pool of funds for 2026.** In parallel with the RRF, the allocation of cohesion policy funds is progressing—signed contracts already account for nearly 60% of funds available to Poland.

High import intensity of investment weakens the boost to GDP

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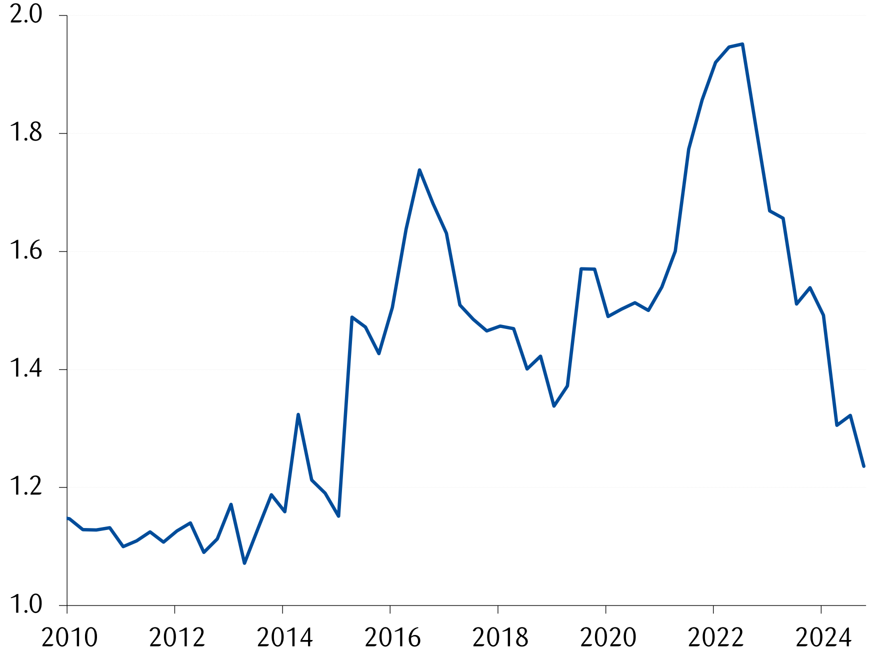
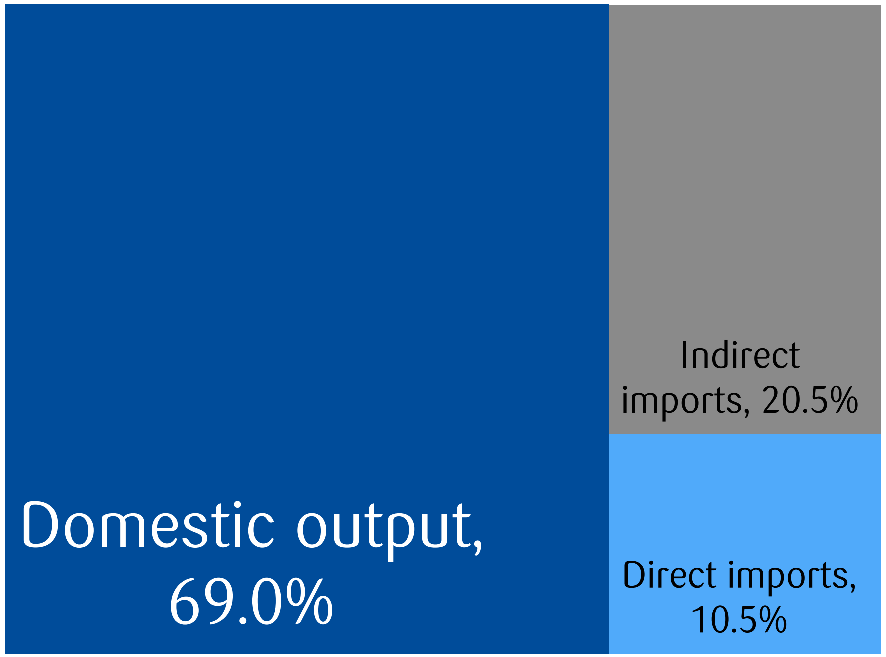
Long-run elasticity between imports and investment (40-quarter estimation window)



Suppy generated by RRF

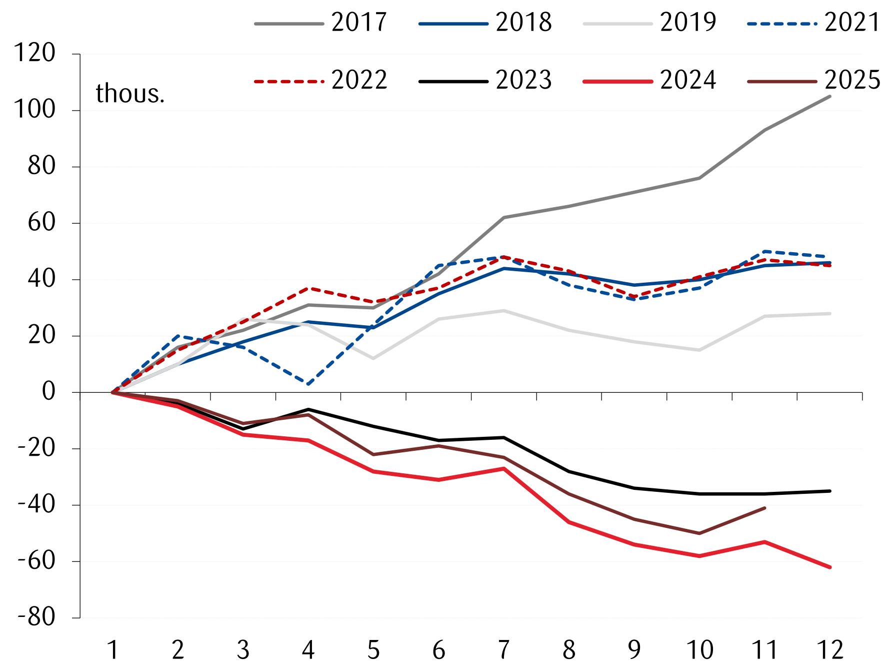


- **While we are among the market optimists as regards the scale of the rebound in investment activity in the economy in 2026, our full-year GDP forecast of 3.7% is not among the highest. The explanation for this apparent discrepancy is import-intensity….**Investment is the most import-intensive component of GDP, and in Poland its import intensity is also high relative to other countries. Historically, a 1% increase in investment has raised imports by 1.1–2.0%.
- We estimate that RRF funds will increase domestic output by 69% (based on input–output model estimates), while 31% will translate into higher imports (which reduces GDP growth).
- An important factor shaping investment activity in the coming years will also be defence spending. Especially in the initial phase, its import intensity will be significantly higher than the historical import intensity of investment, which will initially limit its positive impact on GDP. We also assume that the peak of this activity will occur in the years after 2026.

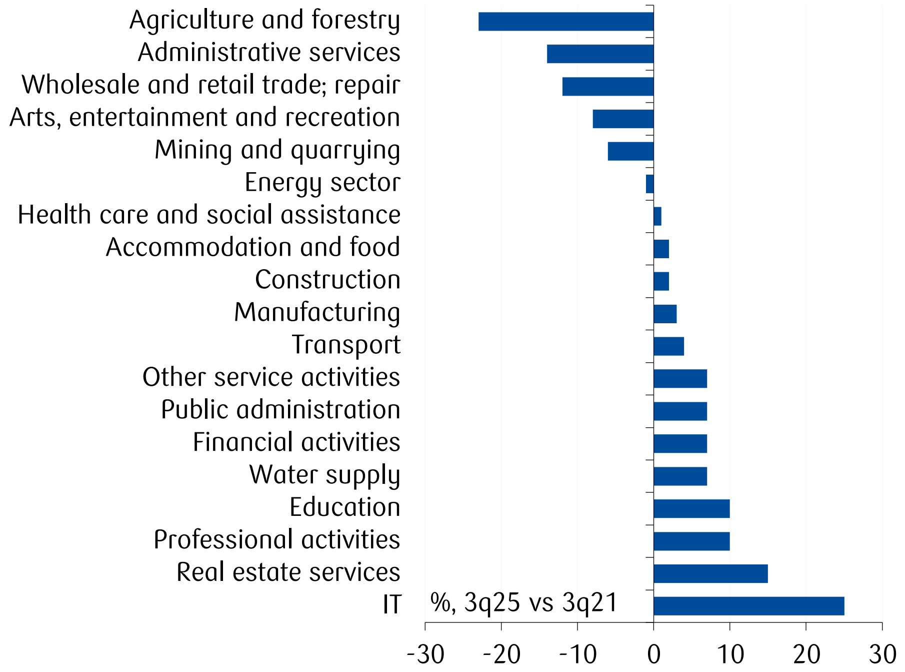
#8 Labour market – hot n’ cold

2025 was the third consecutive year of declining employment

Cumulative change in employment since January (enterprise sector)



Change in the number of employed by sector*

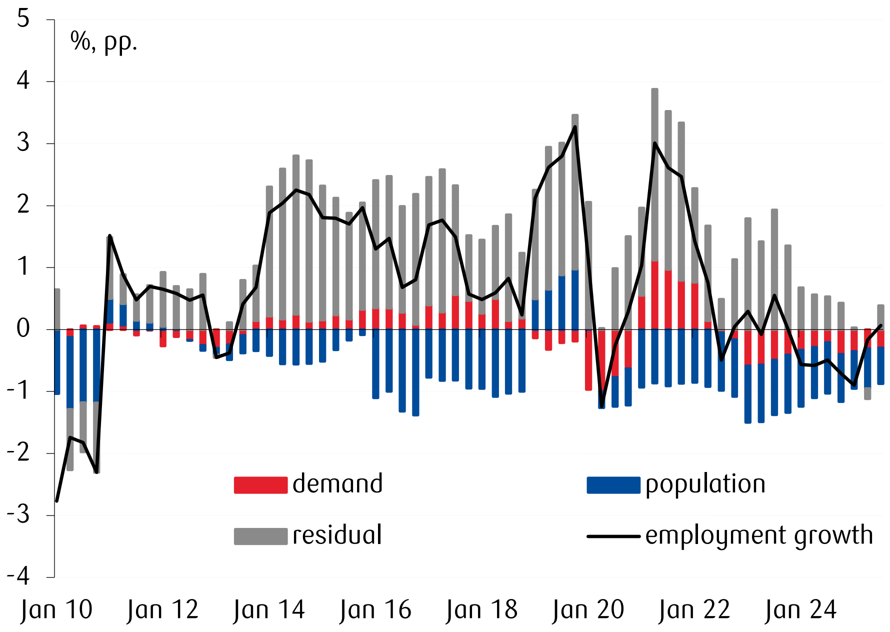


*Abbreviated names of sections of the Polish Classification of Activities

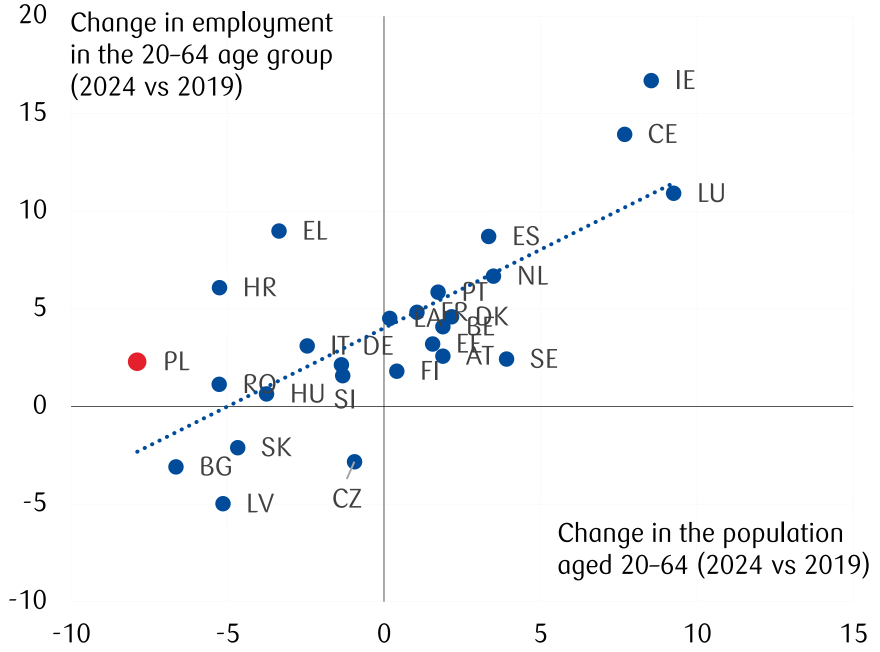
- **Contrary to earlier expectations, 2025 did not bring a recovery in labour demand.** On the one hand, the decline in employment did not correspond with the strong performance of the economy; on the other hand, it was consistent with weak investment dynamics, particularly among private firms, indicating a limited willingness of companies to expand their operations. Since the pandemic, a shift in the employment structure has become particularly visible, with the IT sector and industries related to specialized services benefiting the most, while sectors such as mining, trade, and agriculture have been losing out.
- **At the end of November 2025, employment in the enterprise sector was nearly 0.6% lower than at the beginning of the year**, and a month-on-month increase in employment in 2025 was recorded only in November.

With such demographics, it's no surprise

Model-based decomposition of year-on-year employment dynamics according to the LFS



Change in employment and the population aged 20–64 in the EU*

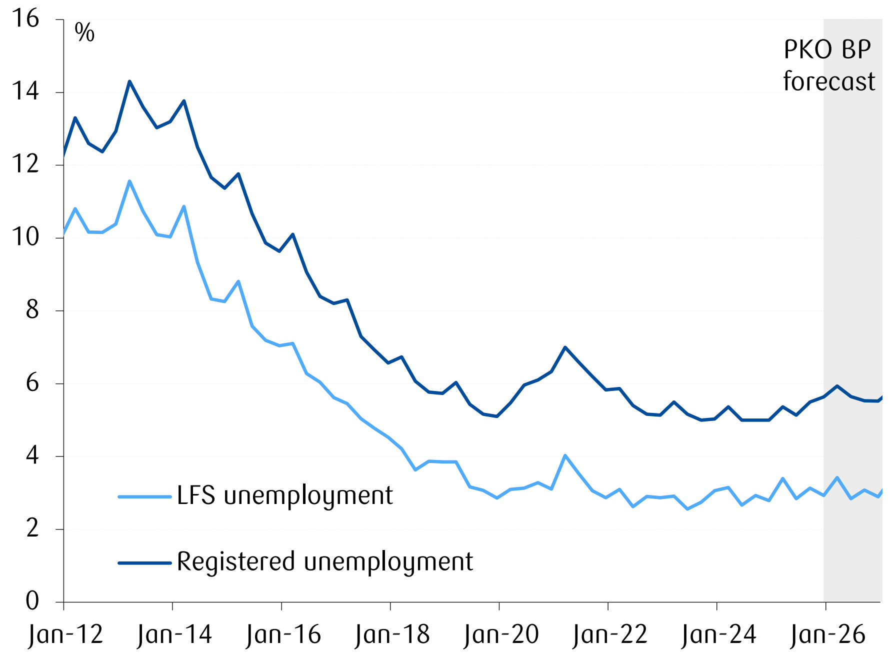


*Due to the lack of data for 2024, Malta and Lithuania were excluded

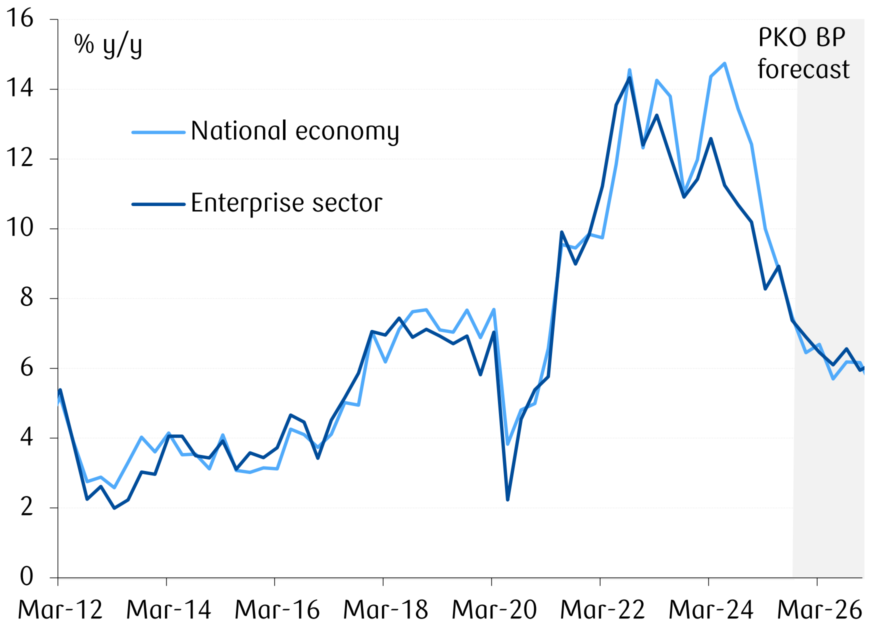
- **Weak demand for workers negatively affects employment dynamics; however, the main "culprit" behind the lack of growth in the number of employed remains demographics.** In the case of European Union economies, a clear correlation can be observed between employment dynamics and changes in the working-age population. Between 2019 and 2024, Poland recorded one of the steepest declines in the population in this age group, accompanied by a relatively low increase in employment compared with the rest of the EU.

Unemployment remains low, wage dynamics are normalizing

Unemployment rate



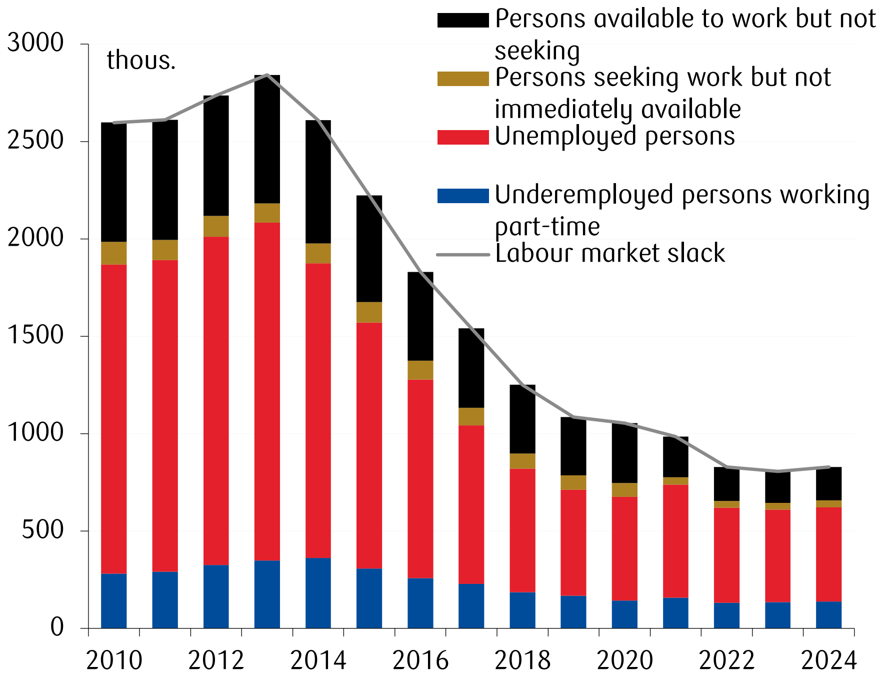
Wage growth



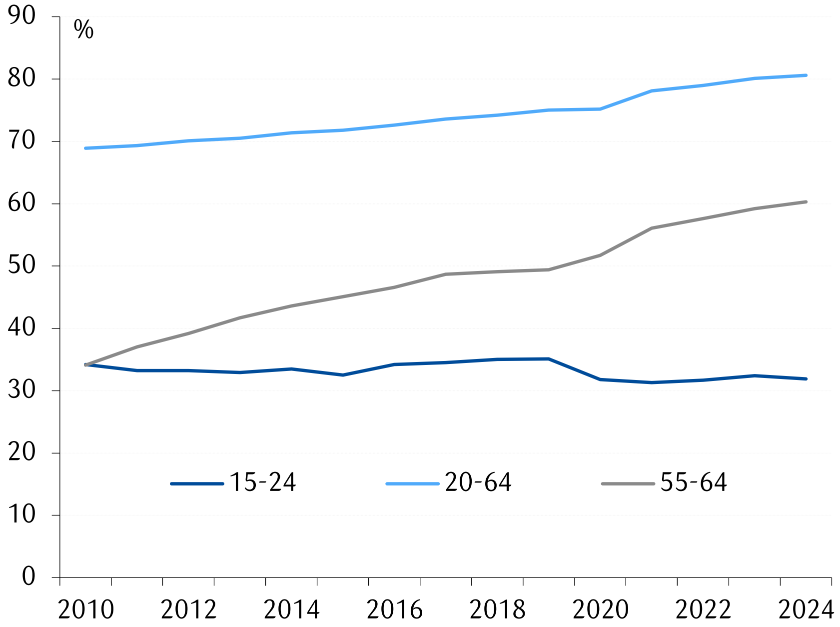
- **Despite the decline in employment, unemployment remains close to historical lows. A shrinking labour supply will limit the potential for an increase in this indicator in the event of an economic downturn in the future.**
- **Wage developments look favourable**– in 2026 we expect average wage growth slightly above 6%, which, in an environment of low inflation, means that real wages will continue to rise. At the same time, a slowdown in wage growth will translate into a decline in the growth of unit labour costs, supported by solid gains in labour productivity, which will bolster the competitiveness of Polish exporters.

Standard unused labour resources are shrinking

Labour market slack



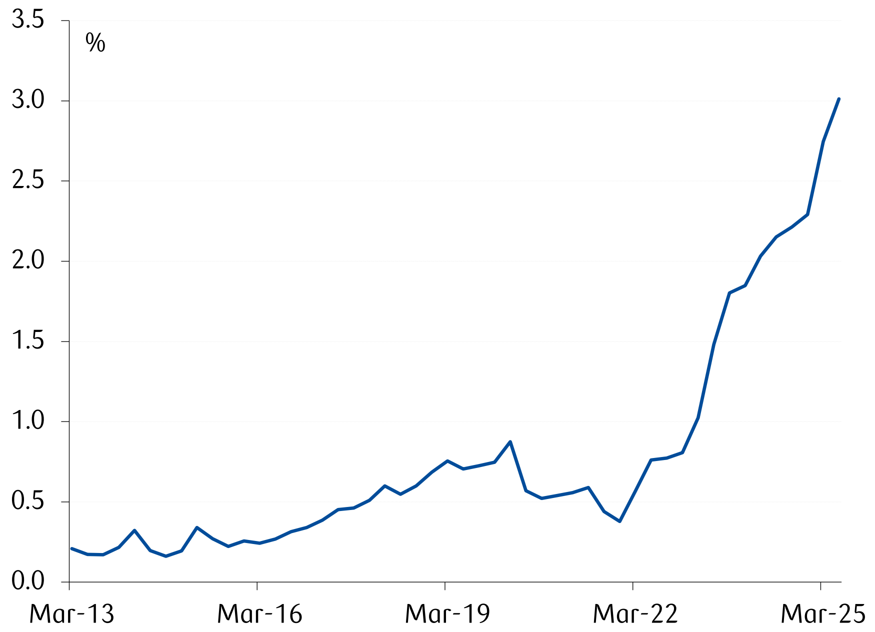
Labour force participation rate in selected age groups



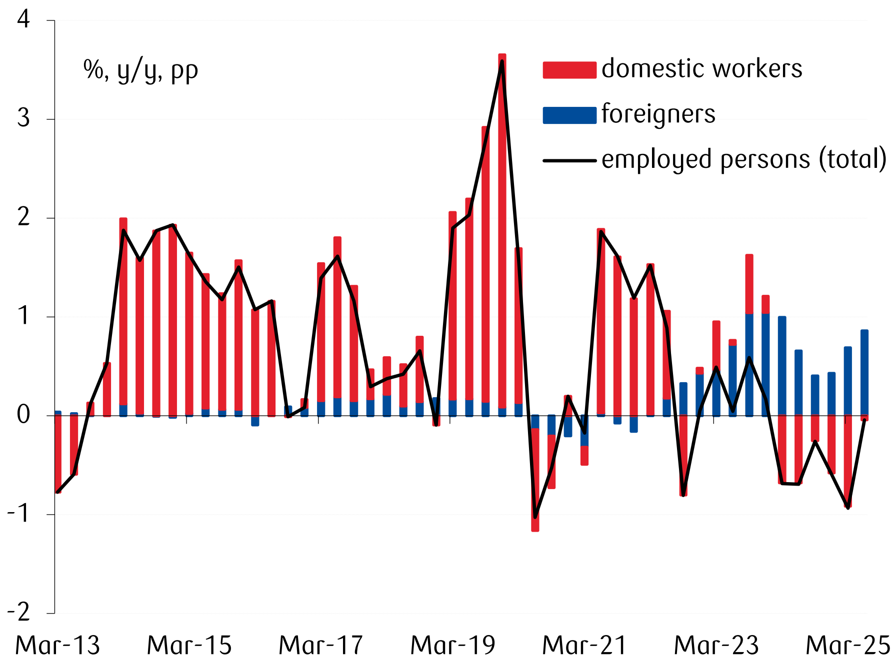
- **In the long term, due to population aging, economic growth based on relatively cheap labour will not be possible.** Mobilizing unused labour resources, along with improving labour productivity, will be key to growth.
- The mobilization of unused labour resources should in particular include women, older people in good health (as participation rates in this group have been steadily increasing), and legal migrants.

Foreigners are boosting employment growth according to the LFS

Share of employed persons (15-64) with foreign citizenship in total employment (15-64)



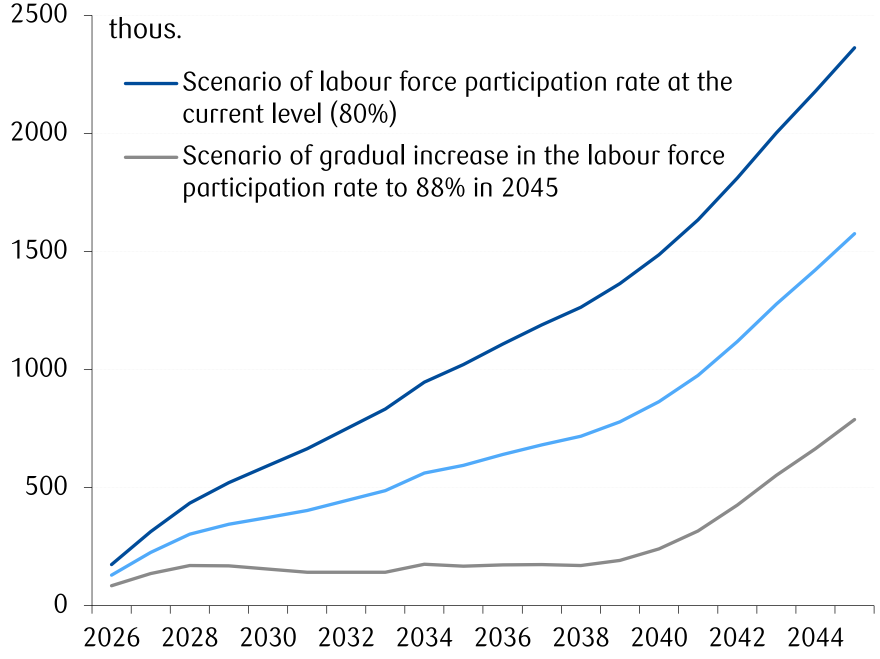
Employment growth and its main components



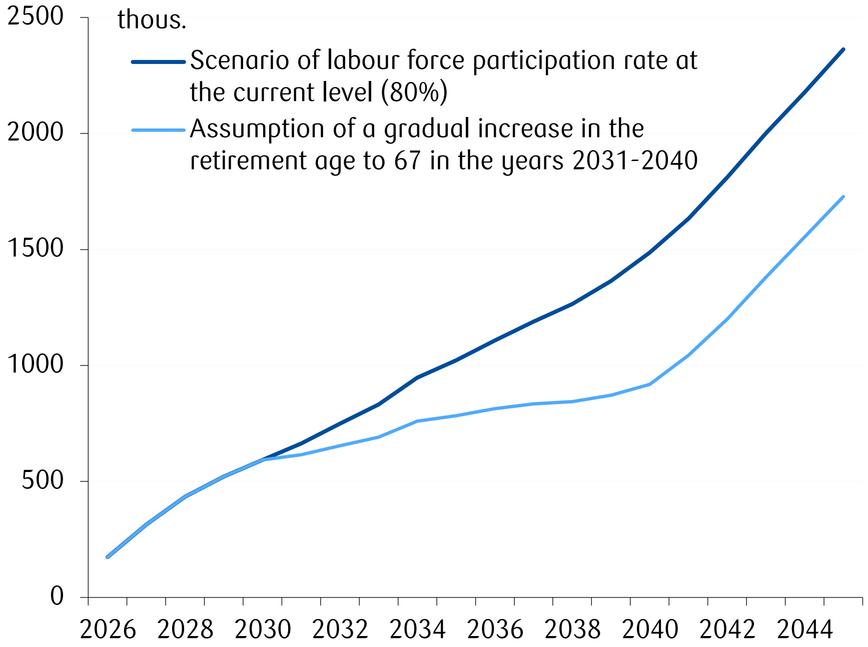
- **National statistics do not fully capture the number of foreign nationals in the labour market, which poses a challenge in estimating their actual impact on the Polish labour market.** According to the LFS, foreign nationals account for around 3% of all employed persons and, unlike workers with domestic citizenship, their number has been increasing year on year. The data include foreign nationals with a fairly significant lag, which in our view may inflate overall employment figures in the coming quarters, somewhat "polishing up" the general picture emerging from these data.

Net migration inflows have their limits; other reforms will be needed

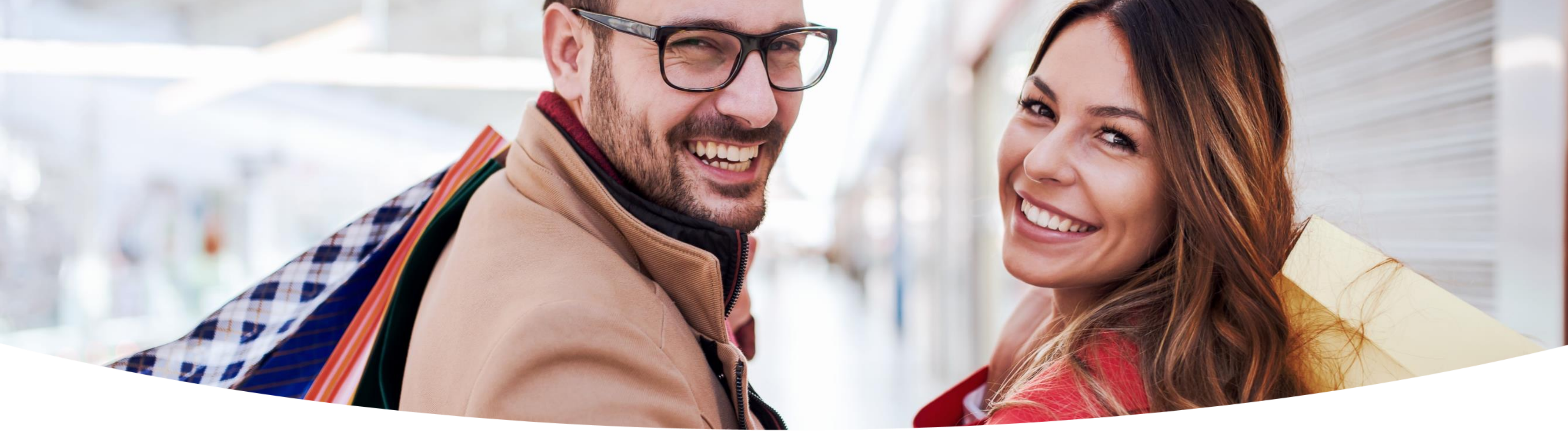
Cumulative inflow of economically active migrants needed to maintain the 2025 labour supply



Cumulative inflow of economically active migrants needed to maintain the 2025 labour supply



- **Migration can mitigate shortages related to the growing demographic gap; however, none of the realistic migration scenarios is large enough to allow the labour supply to be maintained at its current level.** Our simulations indicate that to achieve this, Poland would need a net inflow of nearly 1 million migrants over the course of a decade, and more than 2.3 million migrants in total over a two-decade horizon. The scale of required migration is nearly one-third lower if we assume a gradual increase in the labour force participation rate to 84% by 2045, and as much as two-thirds lower if the participation rate rises to 88%, which is the highest level currently observed in EU economies.
- **Assumptions regarding a potential increase in the retirement age are equally important for estimates of future labour supply.** In a hypothetical scenario of a gradual increase in the retirement age to 67 between 2031 and 2040, the required net migration inflow would be nearly one-quarter lower than in a scenario with no changes to the retirement age.



#9 The last stage of disinflation

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What factors “drove” disinflation in 2025? Will it be the same in 2026?

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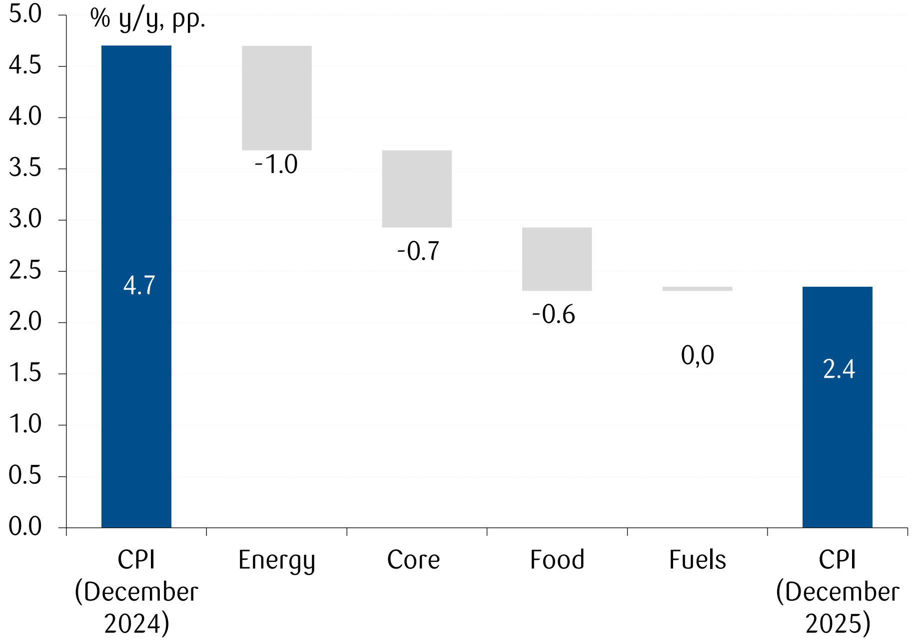
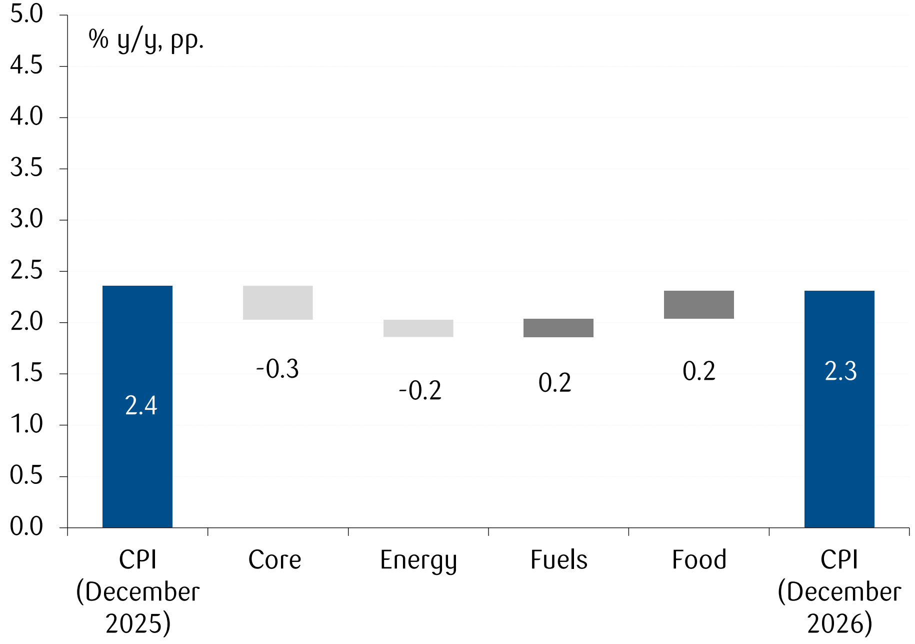
Decomposition of the change in inflation in 2025



Decomposition of the forecasted change in inflation in 2026



- **The decline in inflation observed in 2025 was broad-based.** Inflation was reduced both by exogenous factors – energy and food prices, with a relatively neutral impact from fuel prices (on a December-to-December basis) – and by core factors. In all cases, the scale of disinflation was stronger than expected.
- **In our assessment, the scale of disinflation in 2026 will already be significantly smaller, and the process of slowing price dynamics will come to a halt during the year.** In the following slides, we go through all the main components of inflation and then present the full forecast for 2026.

Energy prices are no longer a cause for concern

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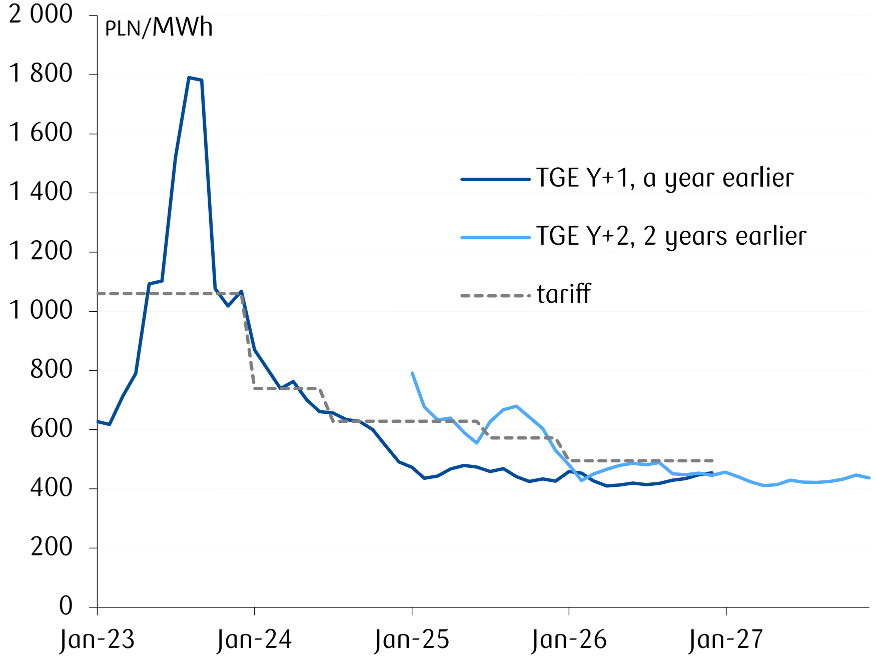
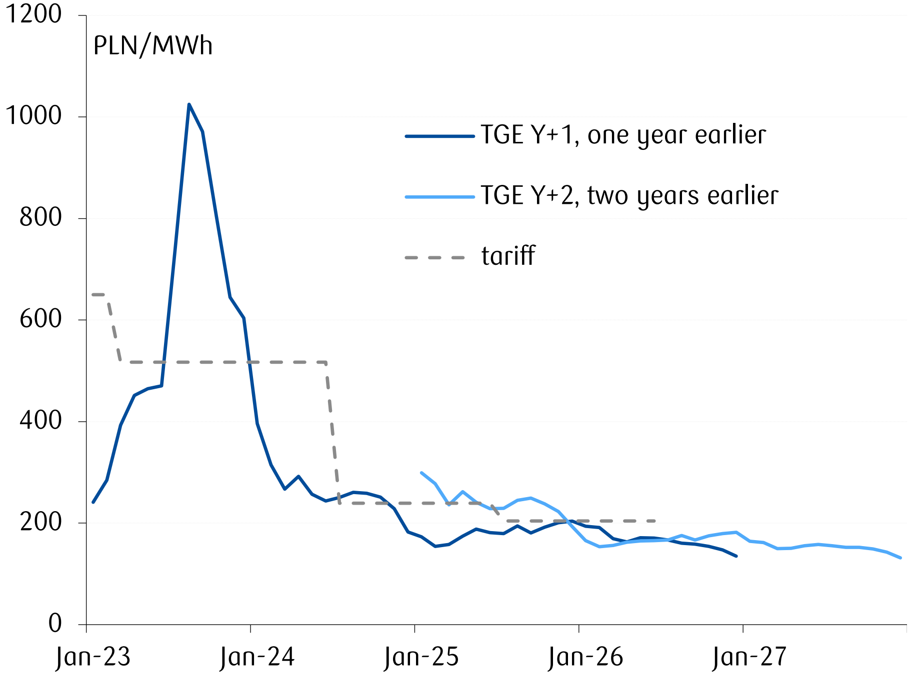
Stable energy contracts, although the question of distribution costs remains



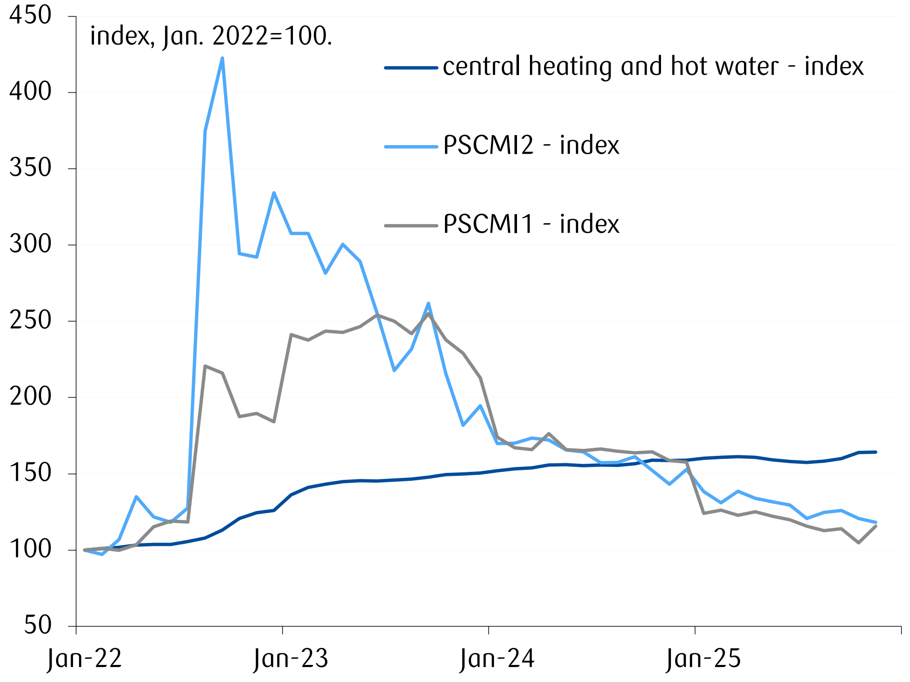
Gas contract prices are equally flat



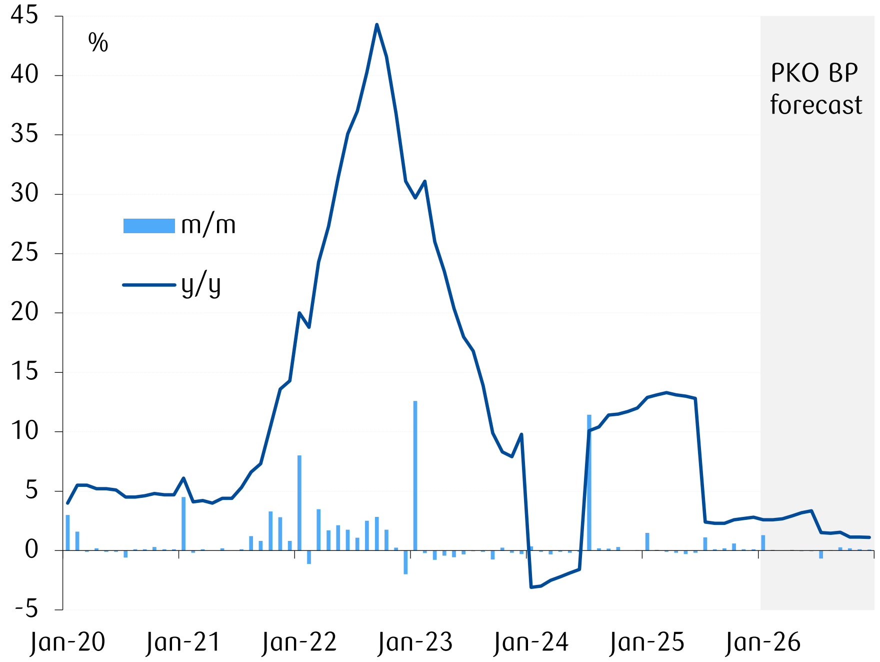
- Energy tariffs for 2026 are already published, so – unlike in 2025 – **developments in electricity prices do not generate significant uncertainty in inflation forecasts. Also over the longer term the pro-inflationary risk associated with electricity prices (and energy carriers overall) has declined.**
- Since mid-2024, prices of annual electricity contracts have stabilised in the range of PLN 410–460/MWh. With a several-month lag relative to annual contracts, two-year contracts have entered a similar fluctuation range. Treating them as a proxy for energy procurement costs for companies in 2027, there are no visible factors that could result in a significant increase in tariffs for the following year, with the caveat that successive increases remain the baseline scenario for the distribution tariff.
- A very similar situation is observed in the gas market, and the new tariff (which will come into force from July 2026) should not exceed the one currently in force.

Energy prices are no longer a cause for concern (2)

The scenario of massive increases in heating prices did not materialise, we see no upward impulses in 2026



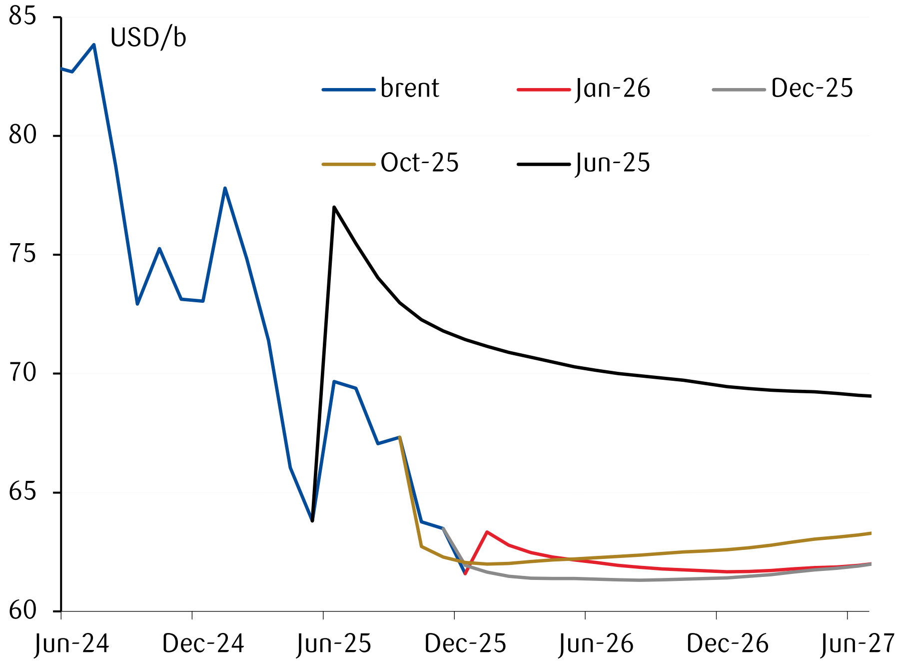
Energy carrier prices in CPI inflation



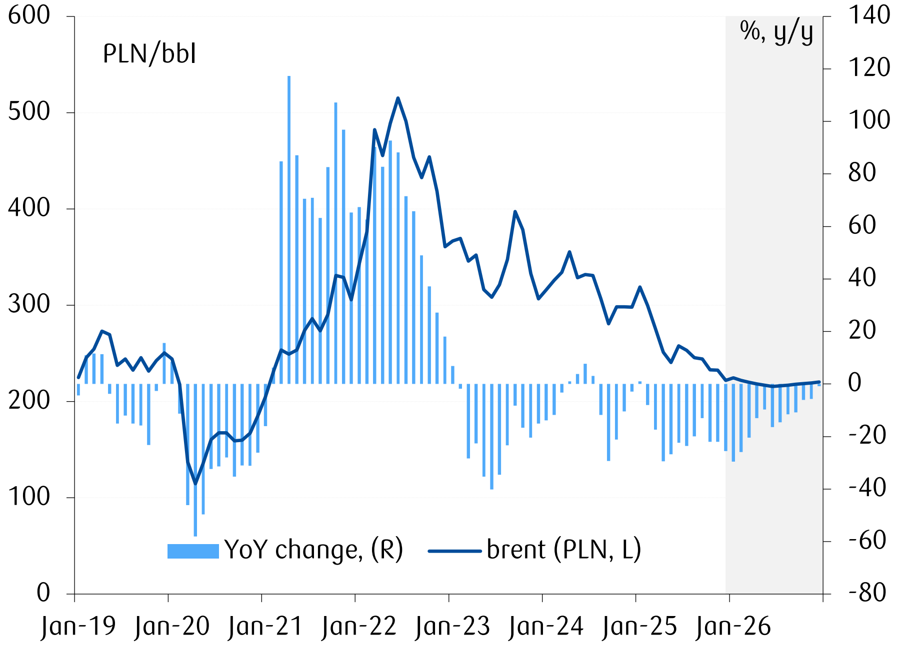
- **In 2025 the liberalisation of district heating prices constituted an additional source of uncertainty in inflation forecasts and a potential factor with a significant pro-inflationary impact** (although the share of heating in the inflation basket is only 2.5%, there was speculation that the scale of price increases after liberalisation could reach several dozen per cent). This risk did not materialise, and between July and November 2025 heating prices rose by a total of less than 5%.
- On the cost side, an important price-setting factor for heating are gas and coal prices. Gas prices, as already shown, are on a slight downward trend. Prices of coal used in district heating (PSCMI2) and in power generation (PCMI1) fell by more than 20% over the course of 2025. Taking into account the weaker-than-expected increase in heating prices in 2025, we do not expect declines in 2026, but we also no longer see heating as a pro-inflationary risk.
- **Overall, in our view, the annual growth rate of energy carrier prices in 2026 will decline, from around 2.5–3% in 1h26 to approximately 1% by the end of the year.**

Despite geopolitical tensions, oil price volatility is limited

Brent crude spot prices vs futures contracts at selected points in time



Oil forecasts including our FX projections



- **Despite high geopolitical uncertainty, which in recent days has been concentrated around countries with significant oil reserves, oil prices – especially futures prices – remain relatively stable and since mid-2025 have been hovering around USD 60–65/bbl**, close to spot quotations. The scope for price increases is constrained by rising production by OPEC+ countries and by still only moderately favourable global economic conditions (according to forecasts, global GDP growth in 2026 will be close to last year's pace).
- **A comparison of futures oil prices with our FX projections (see slides 90–91) suggests that in 1h26 fuel prices may show negative year-on-year dynamics, and then shift towards a neutral impact on inflation.**

Gradual decline in food inflation in 1h26 – possible rebound in 2h26

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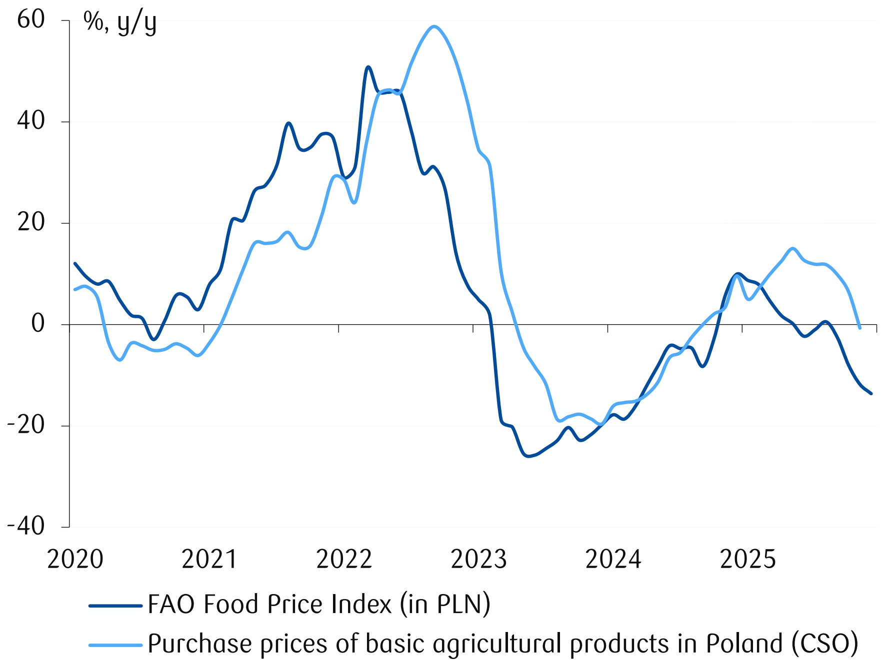
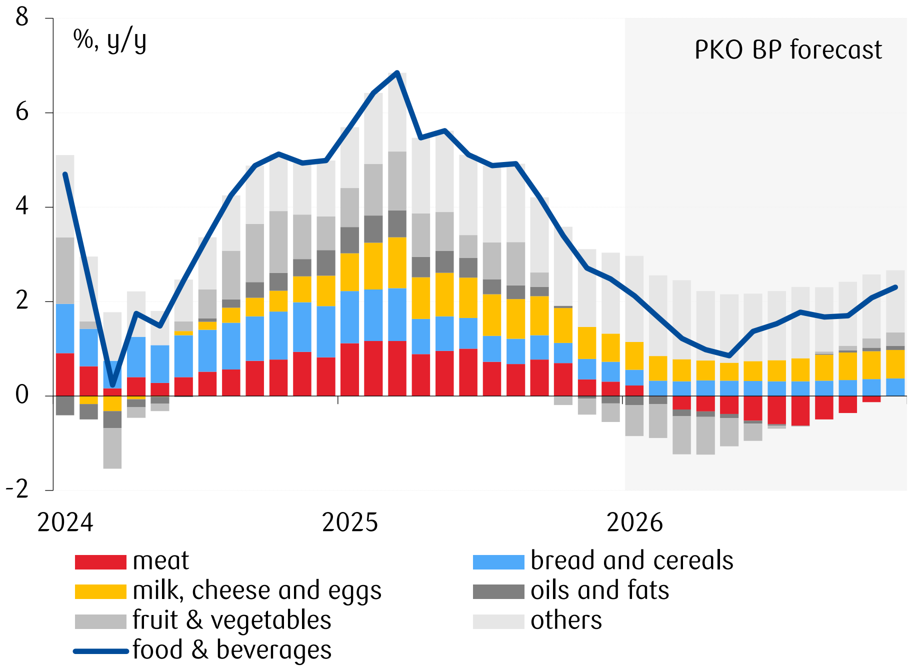
Declines in agricultural commodity prices in Poland follow global trends



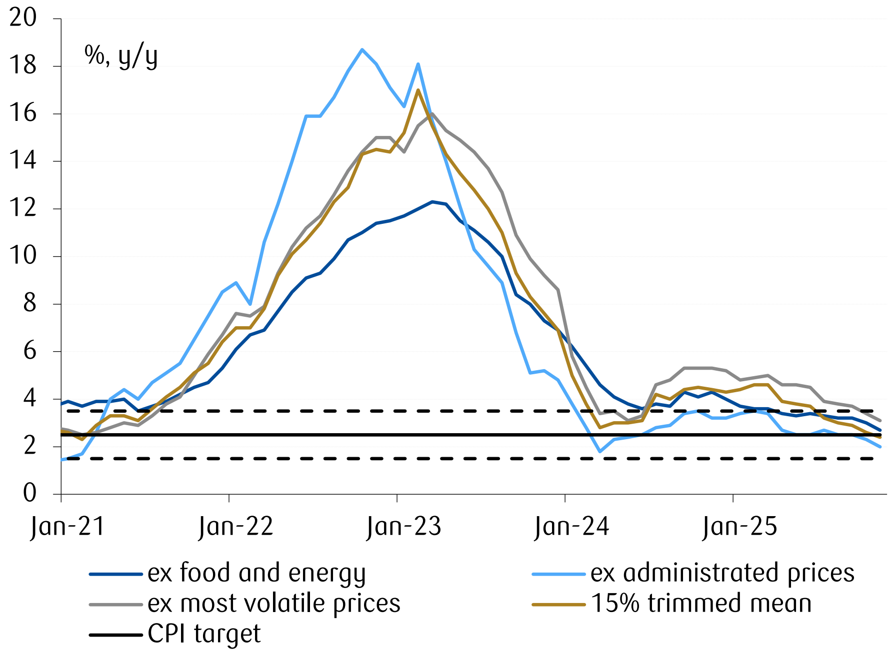
Lower prices of meat, fats, and fruit and vegetables will push food inflation down in 1h26



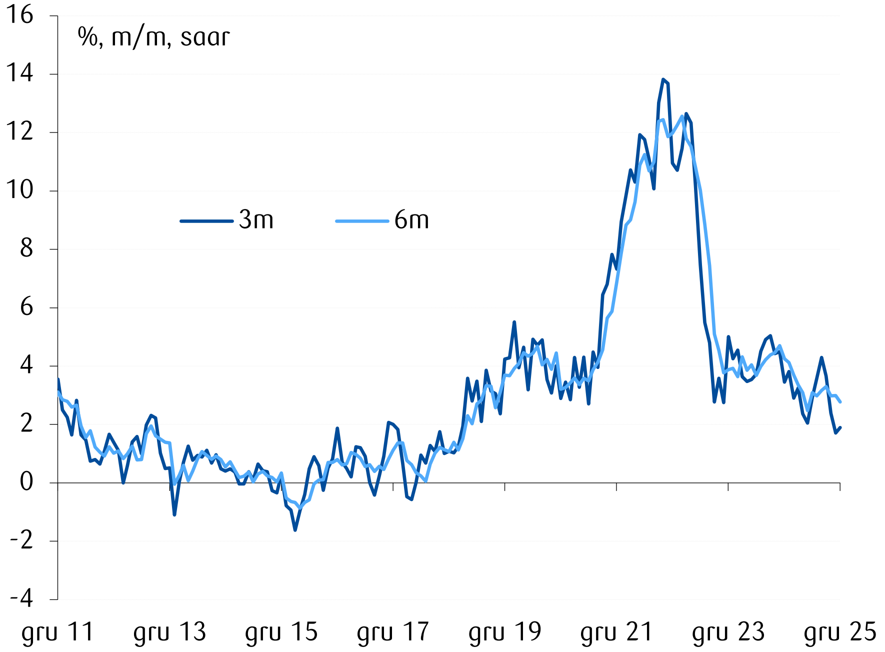
- **High supply of agricultural products led to a decline in agricultural prices in Poland at the end of 2025**, which in turn implied a decrease in food basket inflation. We expect this trend to persist through the end of the first half of 2026. The largest contribution is expected to come from lower fruit and vegetable prices (due to higher harvests in Poland) as well as lower meat prices.
- Agricultural markets remain under pressure from animal diseases. Highly Pathogenic Avian Influenza (HPAI) and Newcastle disease resulted in significant losses in livestock and egg production in 2025. In turn, the emergence of African swine fever (ASF) in Spain in 3q25 reinforced price declines in the pork market.
- Geopolitics is also a disinflationary factor, particularly Chinese tariffs imposed on EU pork (September 2025) and dairy products (December 2025). International competition is increasing, and exchange rate movements are also affecting price dynamics.
- Non-commodity cost pressures are also expected to ease, particularly with regard to labour and energy costs.

Core inflation is also already at target

Core inflation measures



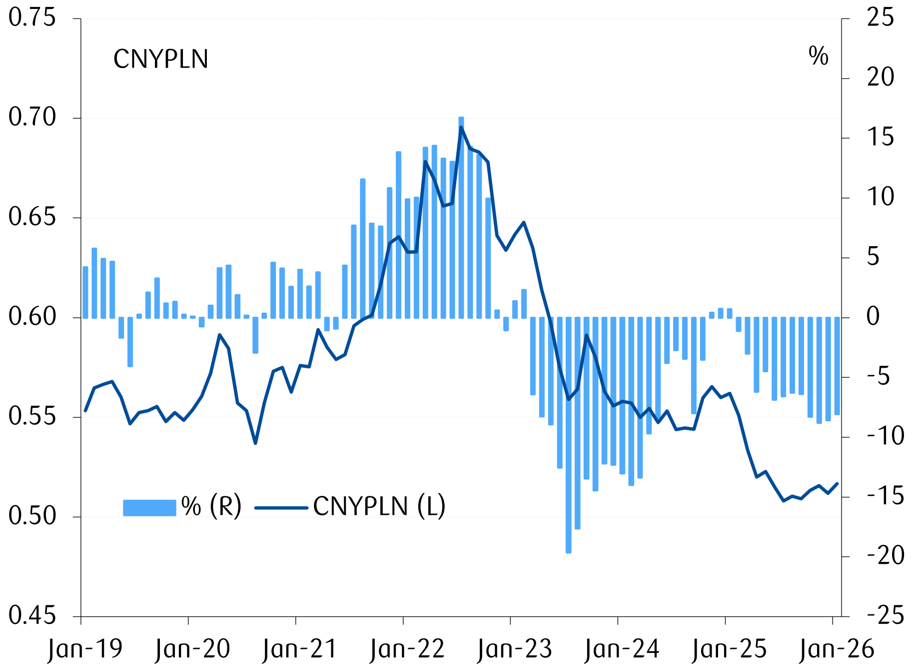
Momentum of core inflation
(excluding food and energy prices)



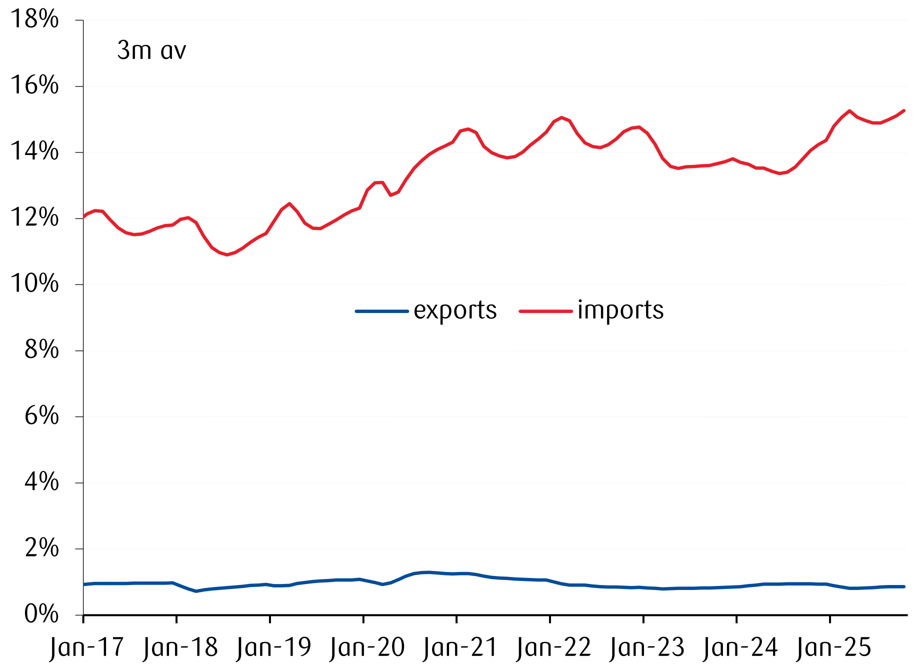
- **The most persistent inflationary challenge was core inflation** (excluding food and energy prices), whose pace of decline was slower than CPI inflation and which, since 2h25, has remained above the headline measure of price processes. **However, core inflation has also returned to the NBP's inflation target – since April 2025 it has remained below 3.5% y/y, and since November 2025 below 3% y/y.**
- Momentum, which shows the current intensity of price growth in core components, has been steadily declining. In recent months, the short-term measure (3m) has fallen clearly below the six-month measure, which **in our view signals a further slowdown in core inflation in the short-term horizon**. Several factors will be behind the lower price dynamics in core categories. These will include, among others, deflationary processes in many core goods components, a shortage of demand in some sectors, and the pass-through of lower labour cost growth into price-setting processes.

Chinese expansion has a disinflationary effect - including in Poland

FX rate between Poland and China



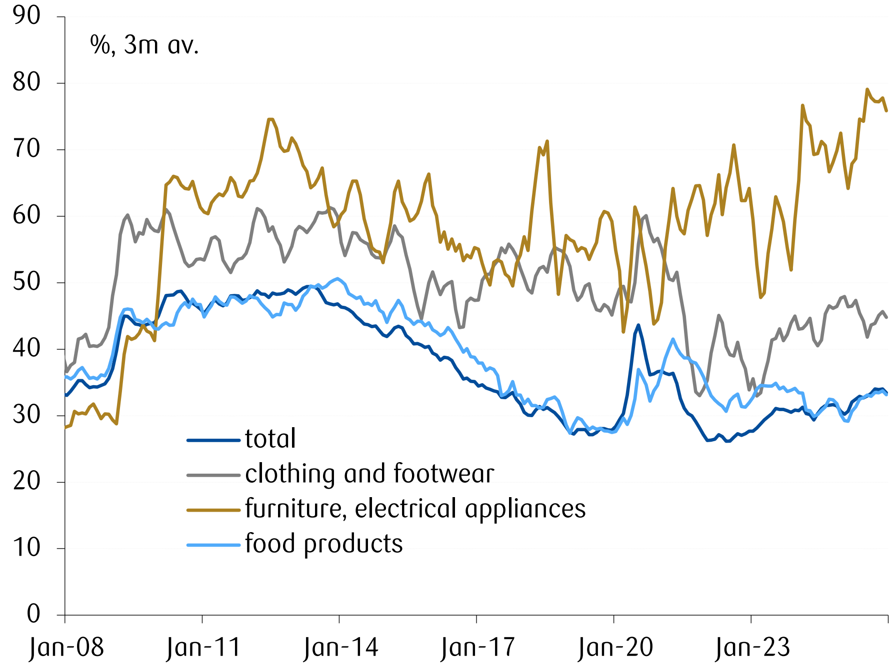
China's share in Polish exports and imports



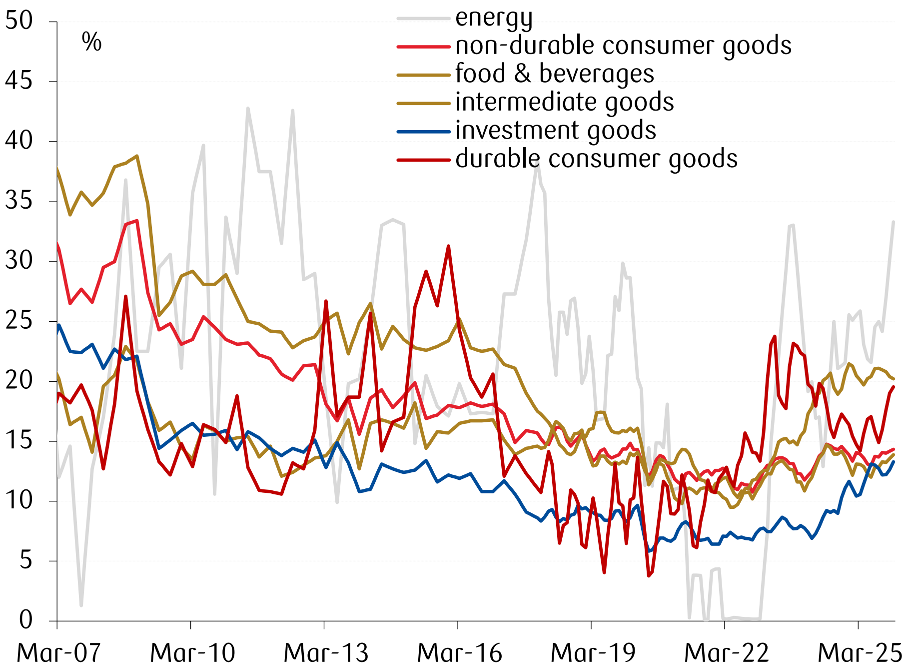
- The process of China's expansion into foreign markets (see slides 8–16), including the strengthened interest of China in European markets that we have observed recently, is also impacting domestic price processes.
- **Over recent years, trade relations between Poland and China have developed to a much greater extent through imports to Poland than through an increase in the share of domestic producers in the Chinese market**. The growing importance of imports from China has occurred in waves. A pronounced increase was visible, among others, during the Covid-19 period (which we mainly associate with structural changes in domestic demand), and since the end of 2024 we have observed another wave, intensifying in 2025.
- **The negative impact of rising imports from China on inflation is reinforced by exchange rate developments – during 2025 the zloty strengthened markedly against the yuan, and on a year-on-year basis at the end of 2025 the scale of this appreciation reached around 10%.**

Price competition is reinforced by a still relatively high demand barrier

Demand barrier in business surveys



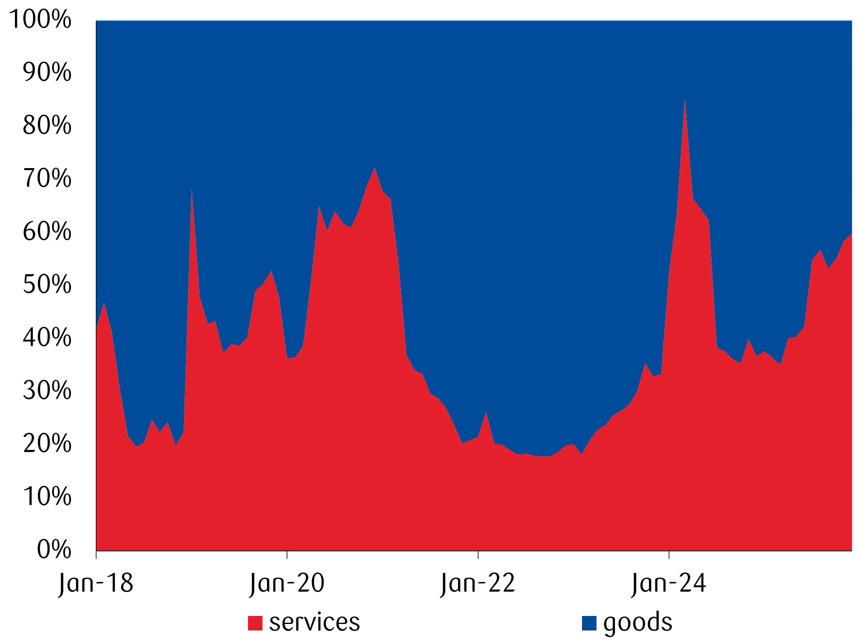
The share of producers of a given group of goods for whom competitive imports constitute a barrier



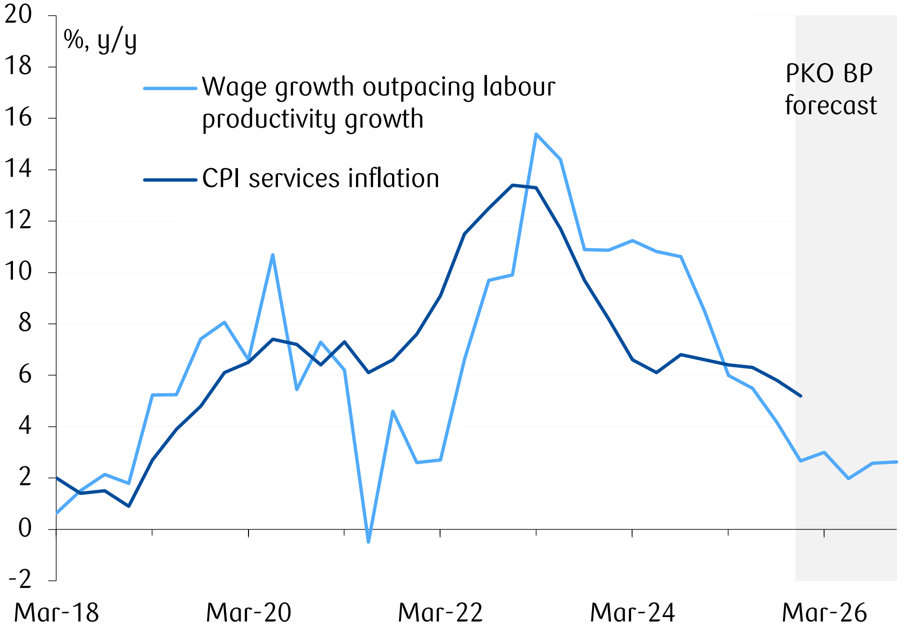
- **At the producer level, the challenge posed by growing competition from foreign manufacturers has so far been moderate**, although across producers of all types of goods the share of firms indicating that competitive imports constitute a development barrier is above the average of the past three years. This development barrier has increased the most among producers of energy goods, followed by producers of investment goods.
- **A factor that may strengthen the disinflationary impact of import competition is still only moderately strong demand. A lack of demand, even with stable competition, makes it difficult to increase margins and even to maintain a stable relative price level.** The share of retailers indicating a demand barrier has been rising since 2022, despite the observed – especially in 2025 – recovery in consumption. In trade, the strongest demand barrier is faced by sellers of consumer electronics, household appliances, and furniture.

Services inflation remains elevated

The contribution of goods and services prices to inflation



The relationship between service prices and the labour market



- **Services continue to be of key importance for the core inflation and to exert the strongest pro-inflationary impact;** they currently generate around 60% of inflation, even though their weight in the CPI basket is just under 30%.
- **The strong increase in service prices has reflected both supply-side factors – primarily rapidly rising labour costs – and demand-side factors, as consumers' appetite for services has recently grown more strongly than for goods.** Both factors are normalising. Wage growth slowed markedly in 2025, significantly reducing the divergence relative to productivity growth. This will affect service price formation in 2026, limiting the cost-driven impulse to price increases. At the same time, NBP interest rate cuts are increasing consumers' propensity to purchase durable goods, slowing the growth rate of demand for services. This will also constrain the scope for raising their prices. However, the labour market impulse is fading (wage growth is stabilising), which in our view signals that in 2h26 the trend of slowing core inflation will come to a halt.

Inflation below target throughout 2026?

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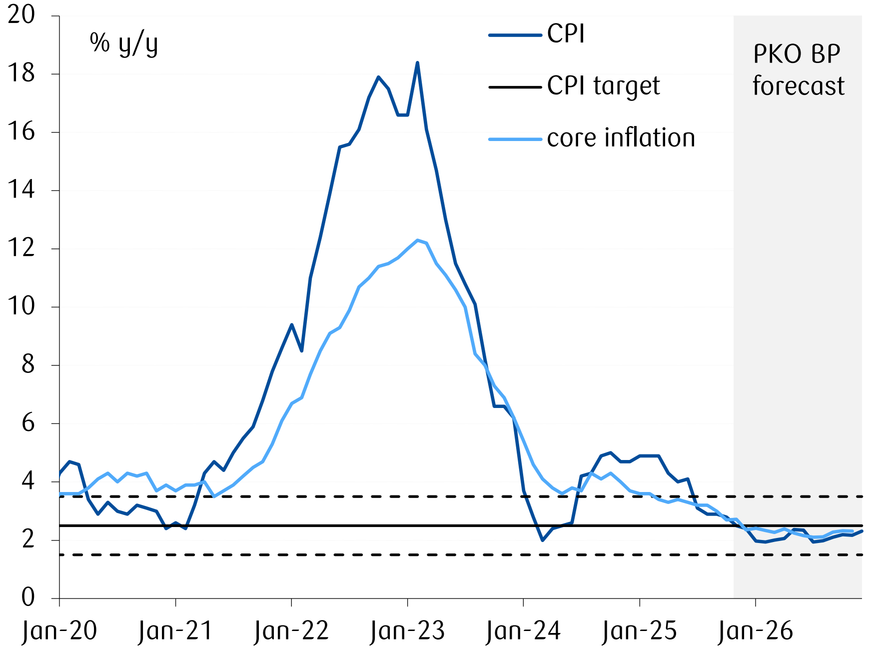
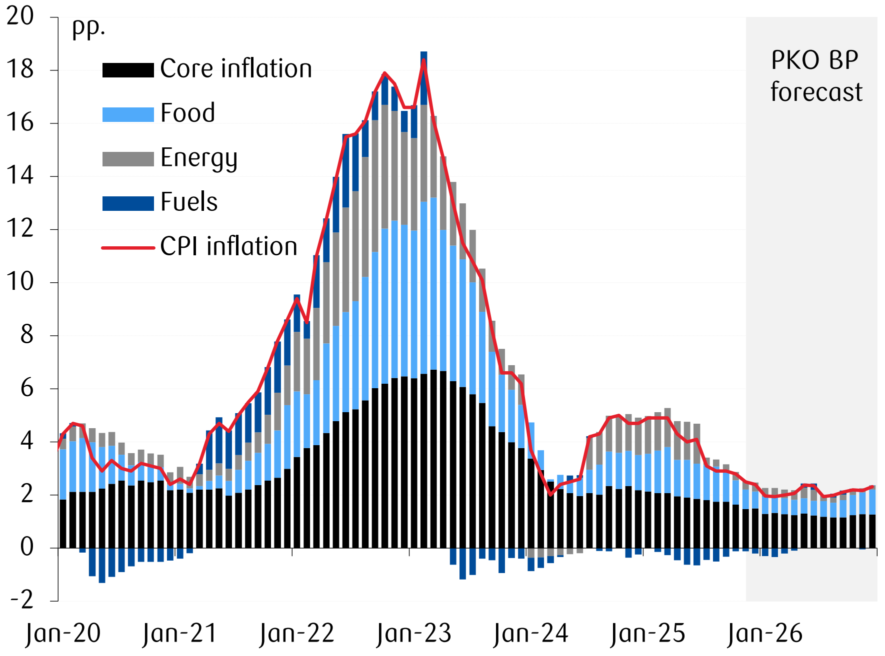
CPI forecast - levels



CPI forecast - structure

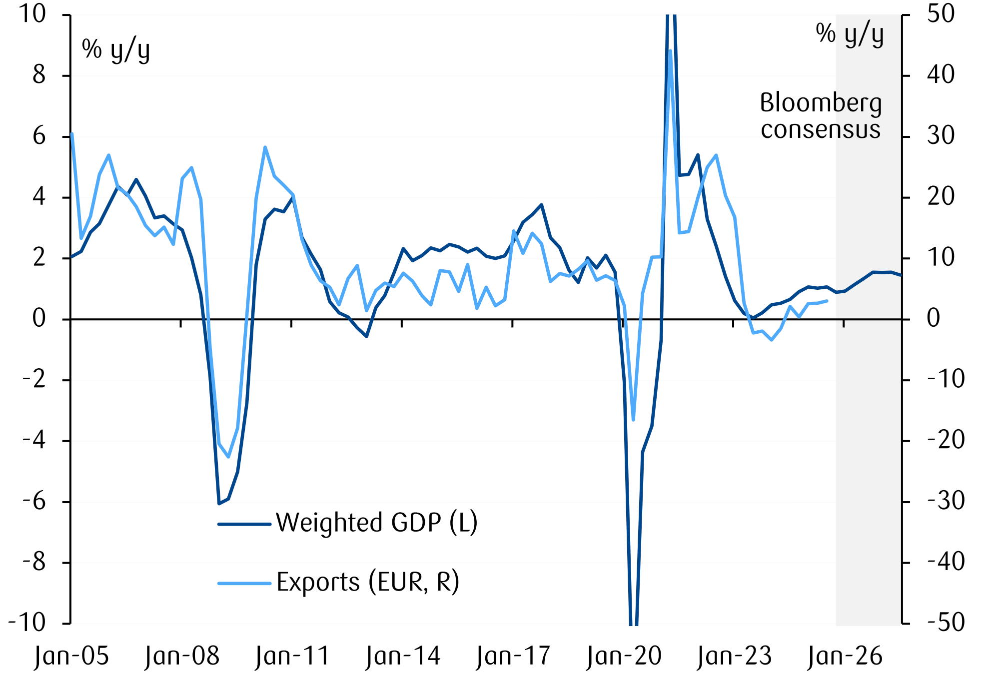


- **We expect CPI inflation to decline at the beginning of the year,** driven down by favourable food prices and still decelerating core inflation. **In 2h26, we expect a sideways trend or even a slight upward movement.** This will result from a renewed increase in food inflation (base effects combined with the fading of positive supply-side factors), a halt in the decline of core inflation (stabilisation of wage growth), and the fading of the negative contribution of fuel prices to inflation.
- **Translating this scenario into specific levels, at the beginning of 2026 we see scope for inflation to fall to 2% y/y or even slightly below this level. In 2h26, and mainly in 4q26, we expect slight increases, towards 2.5% y/y.**
- **Inflation forecasts (in terms of levels, not trends) may be subject to a significant revision in March 2026,** when Statistics Poland presents revised inflation data for January. This time, the scale of the revision may be larger than usual, as it will result not only from new weights but also from a new classification according to which household expenditure data and price data are collected.

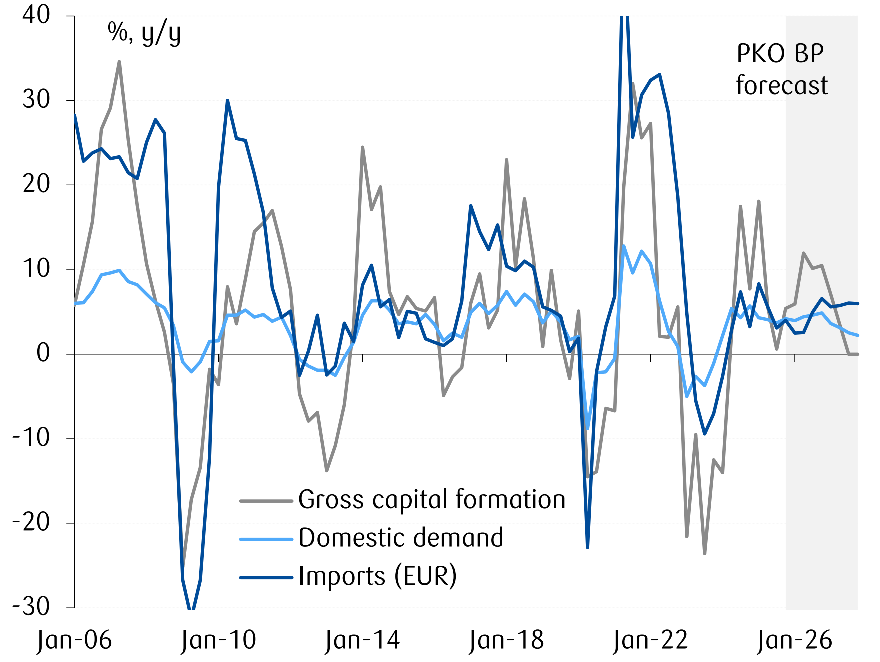
#10 The current account deficit will deepen further

A modest recovery in exports and imports lies ahead

Exports against the backdrop of economic growth among trading partners



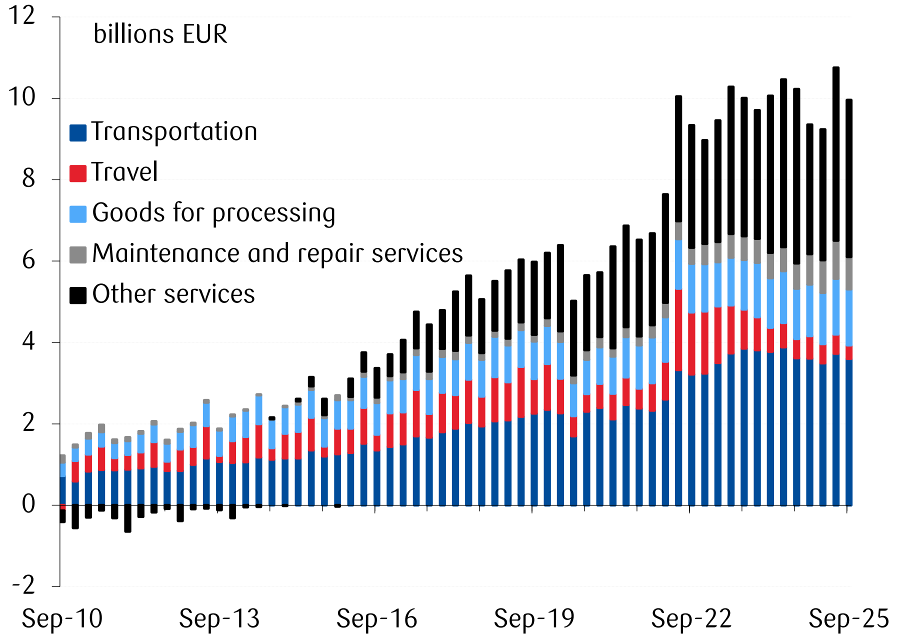
Imports against the backdrop of domestic demand



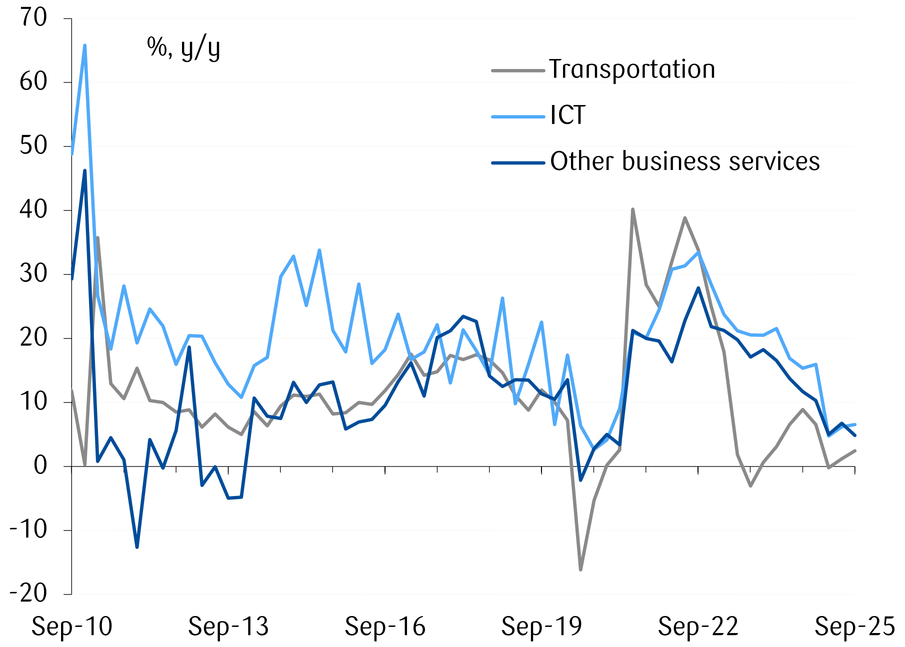
- **In 2026, we expect a modest rebound in export growth, driven by improved economic prospects of Poland's main trading partners; however, an export boom remains a distant prospect.** Risk factors for export growth include an anaemic economic recovery in Germany and intensifying competition in European markets from Chinese manufacturers.
- **Imports will be boosted by rising domestic demand,** particularly investment demand, as well as a potential increase in the import intensity of investment, due to the growing importance of expenditure on defence and in the energy sector.
- In 2026, the trade deficit is forecast to widen to 1.7% of GDP from an estimated 1.5% in 2025.

The services surplus is gradually declining

Structure of the quarterly services account balance



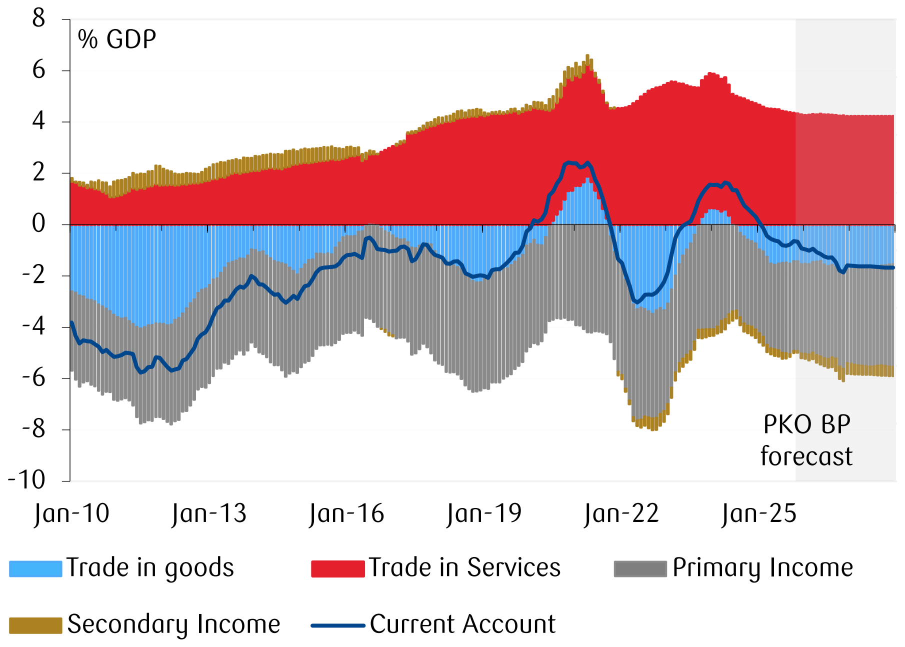
Exports of selected services



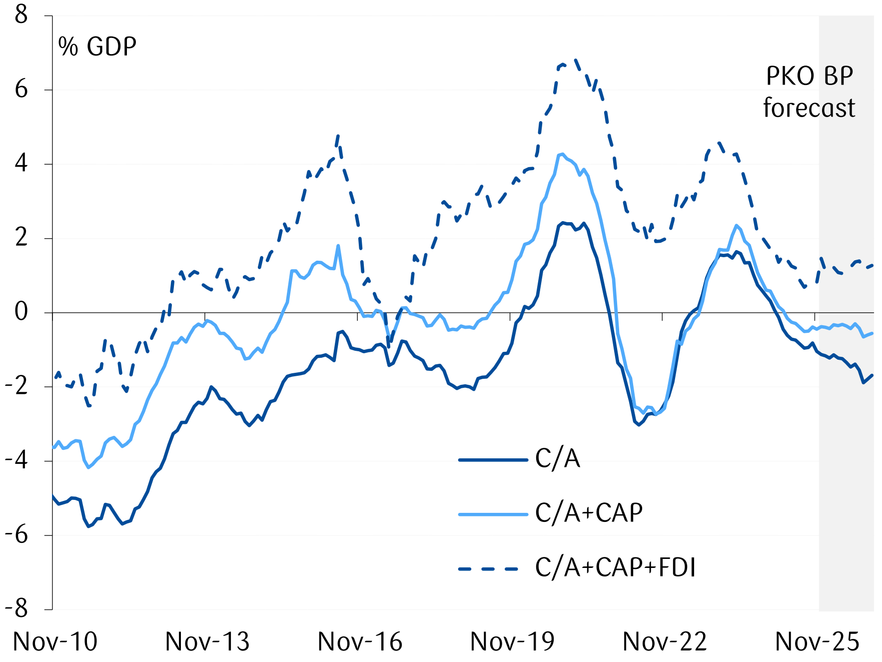
- **The services account surplus declined from 5.6% of GDP at the beginning of 2023 to 4.3% of GDP in November 2025 (12-month rolling sum).** Detailed quarterly data over this period show a stabilisation of the nominal value of the balance, driven by a decline in the travel surplus, a slight increase in processing services, and a halt in growth in the most significant categories – transport and other services (including IT and business services).
- **Recent quarters have seen a slowdown in export growth across the main services categories.** Since mid-2023, growth in exports of transport services has stalled, which can be linked to the weak condition of the European manufacturing sector and rising competition. The deceleration in IT and business services was more gradual and, in our assessment, stemmed from structural changes in the IT sector and declining demand for certain programming services amid the widespread adoption of AI tools. **In our view, these negative trends are structural in nature; therefore, we expect a further gradual decline in the services account surplus, which in recent years has successfully offset the goods and primary income deficits.**

A gradual increase in the current account deficit

Structure of the current account



Measures of external imbalance

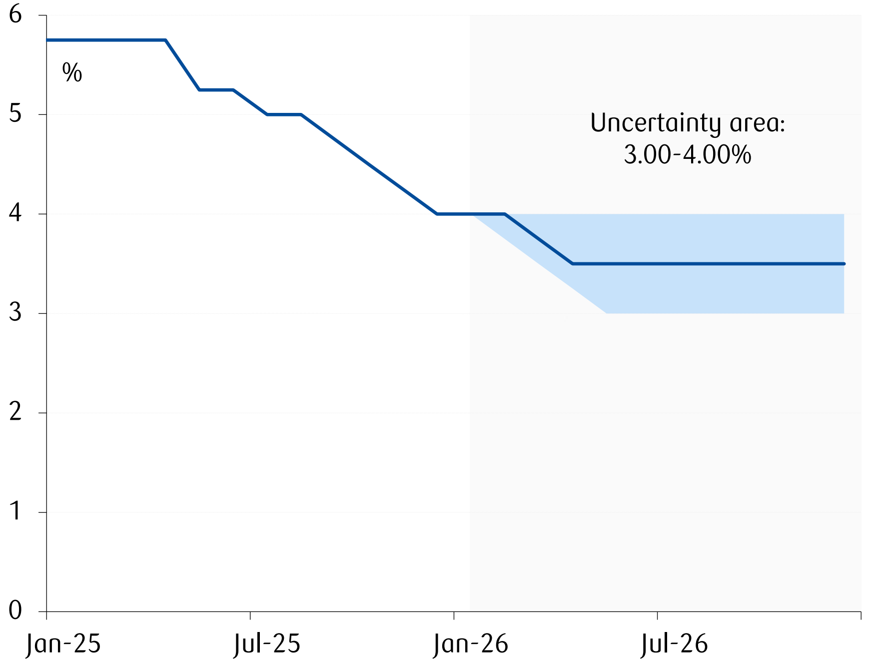


- **In 2026, we expect a further gradual increase in the current account deficit** – to 1.6% of GDP from around 1% of GDP in 2025. The deterioration in the current account balance will reflect a combination of a slightly deeper goods deficit than in 2025, a smaller surplus in services trade, and larger deficits in the primary and secondary income accounts.
- **The current account deficit will not be indicative of a macroeconomic imbalance**, as its financing will be ensured by inflows to the capital account and foreign direct investment.

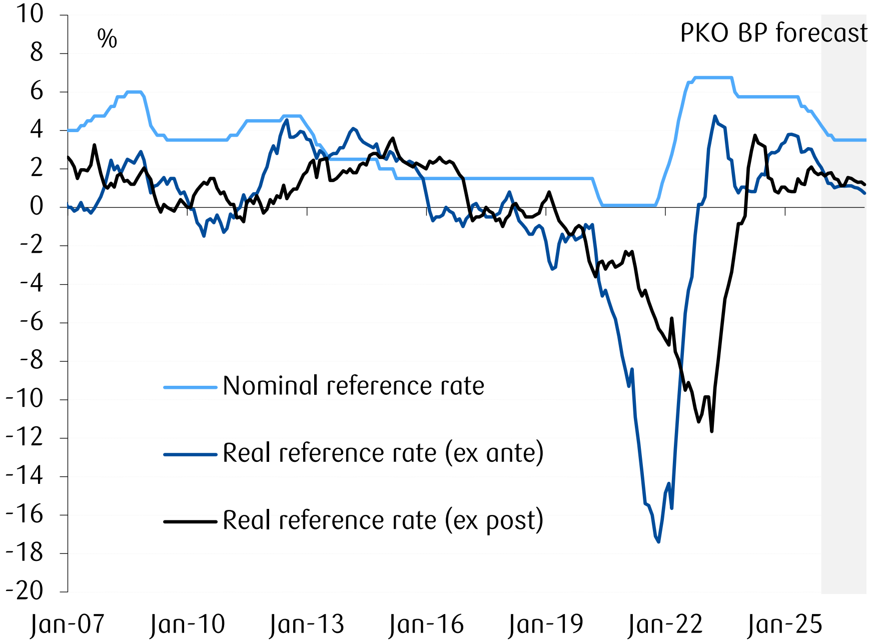
#11 The final stage of NBP interest rate cuts

What level will interest rates in Poland fall to?

Baseline forecast of the NBP reference rate vs the range of uncertainty signalled by MPC members



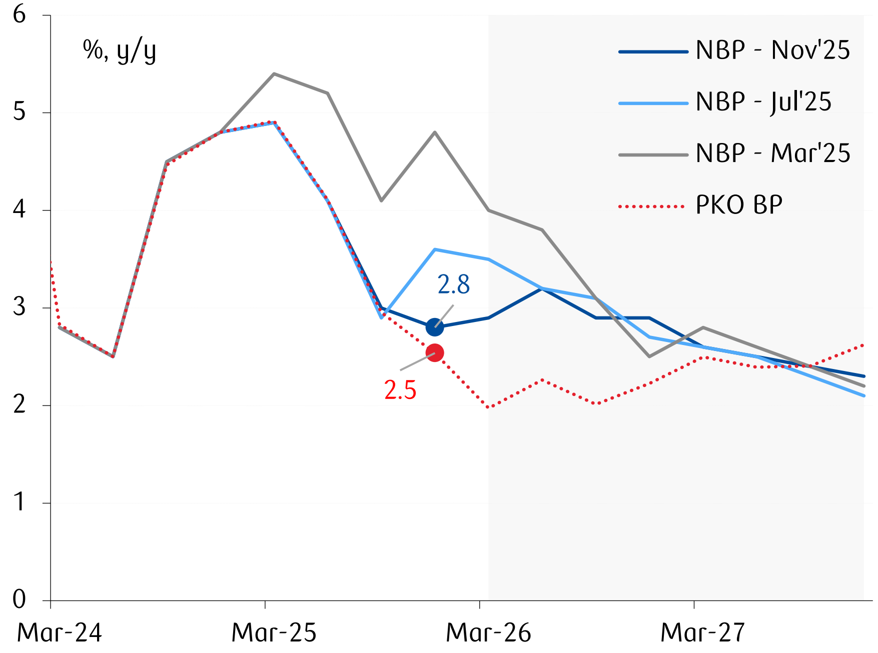
Forecast of the nominal and real reference rate



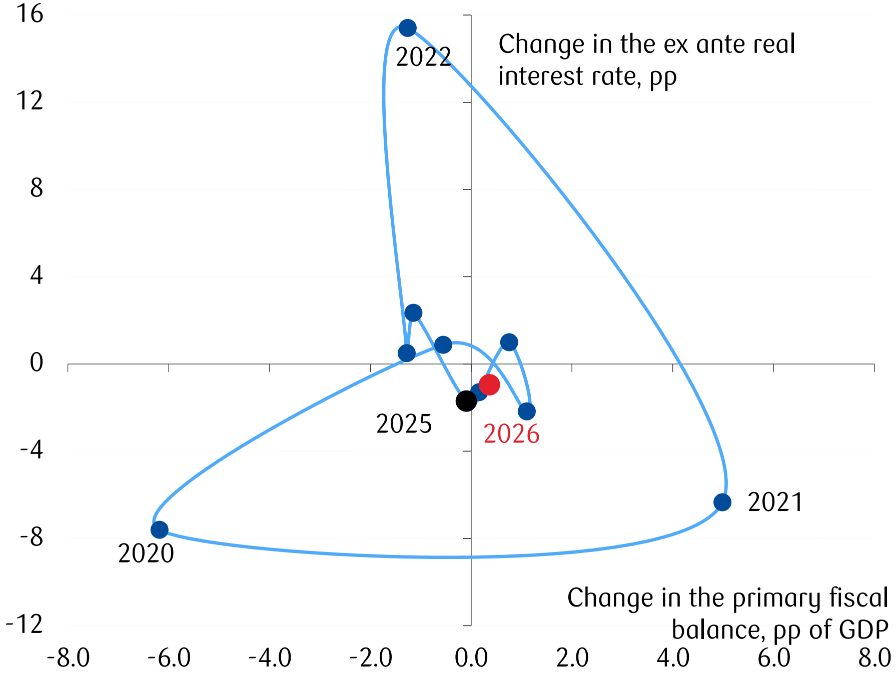
- **After interest rate cuts in 2025 totalling 175 bp (including a reduction of the reference rate to 4.00%), the room for further cuts in 2026 is clearly more limited, but still present.** Despite such a large scale of monetary easing, the MPC's rhetoric remained hawkish, portraying the cuts as an adjustment to improving inflation prospects. The strategy of "hawkish cuts" supported the maintenance of the PLN's value.
- **According to statements by MPC members, the target level of the reference rate may lie in the 3–4% range. We maintain our forecast of a decline in the reference rate to 3.50%.** This is also theoretically justified as the combination of the neutral interest rate (which we estimate at around 1%) and inflation durably returning to the target (2.5%). In our view, the risk distribution is asymmetric and skewed to the downside.

Further positive inflation surprises should prompt the NBP to cut rates as early as 1h26

CPI inflation – data and PKO BP forecast vs latest NBP projections



Policy mix of the Polish economy over the past decade

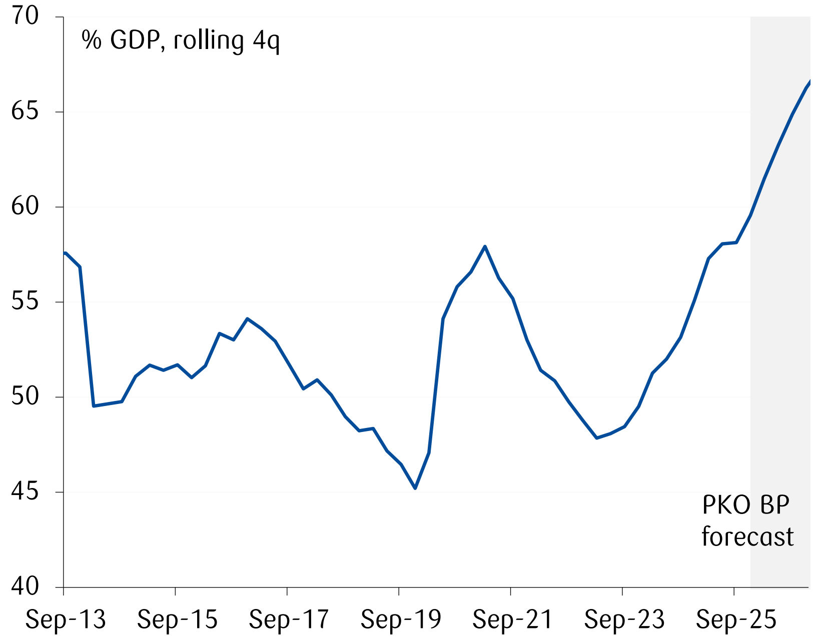


- **An important reason for the larger-than-expected scale of NBP rate cuts in 2025 was the systematic positive inflation surprises** – in 2025 monthly inflation readings were below consensus in 8 out of 12 months. Moreover, each subsequent NBP inflation projection in 2025 was revised downwards, and this trend will persist – in 4q25 CPI inflation was 0.3 pp lower than indicated by the latest, November projection. Further surprises in the scale of disinflation, which in our view will occur at the beginning of 2026, may prompt the MPC to accelerate further rate cuts and abandon the “wait-and-see” strategy announced in December.
- **We believe that the potential for further positive inflation surprises is gradually being exhausted, mainly due to the already low level of inflation.** In our view, delaying rate cuts will increase the probability of ending the cycle at a level of 3.5%.
- In our assessment, fiscal policy will not influence MPC decisions in 2026, especially as the impulse stemming from it will be slightly negative for growth and inflation.

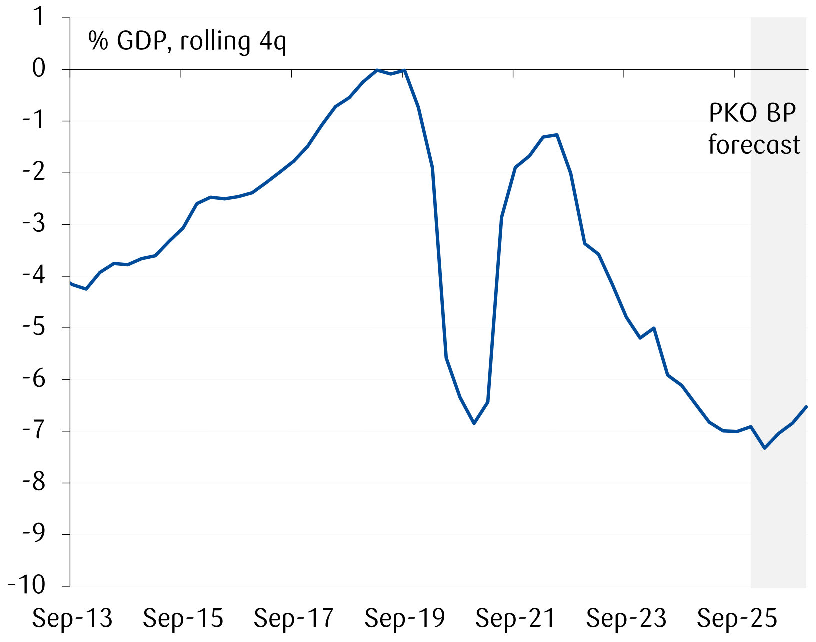
#12 Weaving fiscal balance

The fiscal deficit is narrowing

General government debt



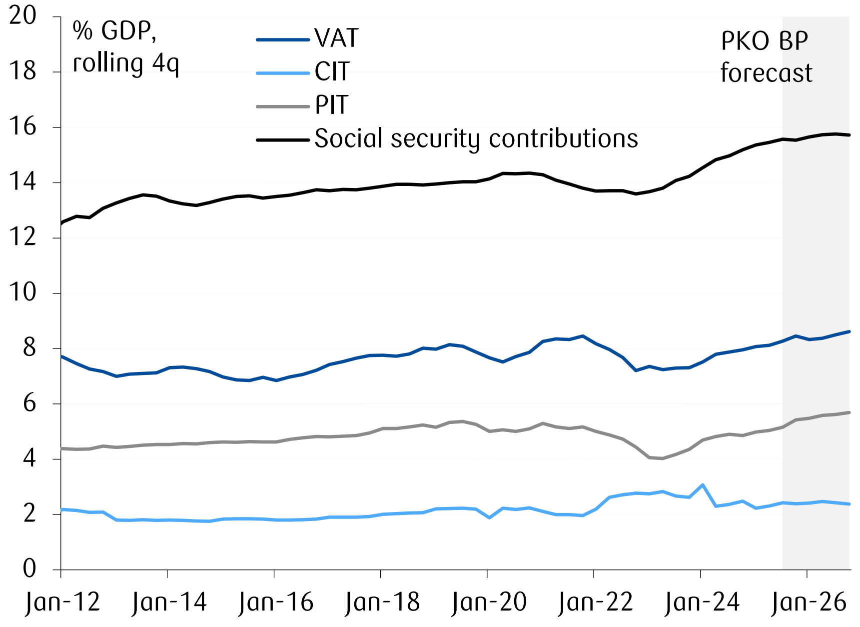
General government balance



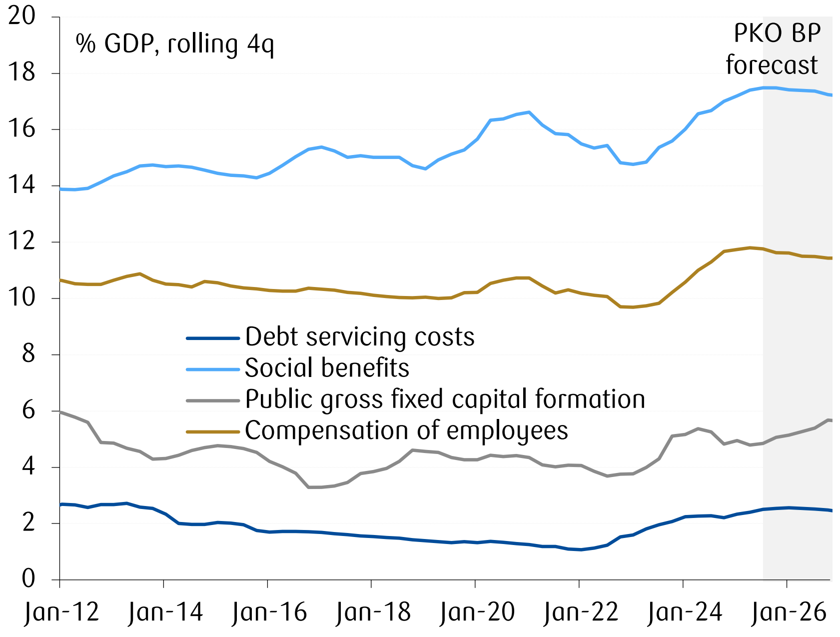
- **The 2026 is expected to be the first in many years to bring an improvement in the fiscal balance.** According to our forecast, the general government (GG) deficit will decline to 6.5% of GDP from 6.9% of GDP in 2025, marking **an initial step towards fiscal consolidation**. While the improvement will be modest, it represents the beginning of a desirable trend.
- Public debt, which in 2025 is likely to have remained below the 60% of GDP threshold, is expected to exceed this level in the current year and, according to our projections, rise to slightly above 66% of GDP. This increase is partly accounting-related, reflecting the inclusion of the full loan component of the RRF (Recovery and Resilience Facility) in public debt, which mechanically raises the public sector's financing needs.

The expected structure of public expenditure and revenue in 2026 remains broadly unchanged

Main revenue categories of the GG sector



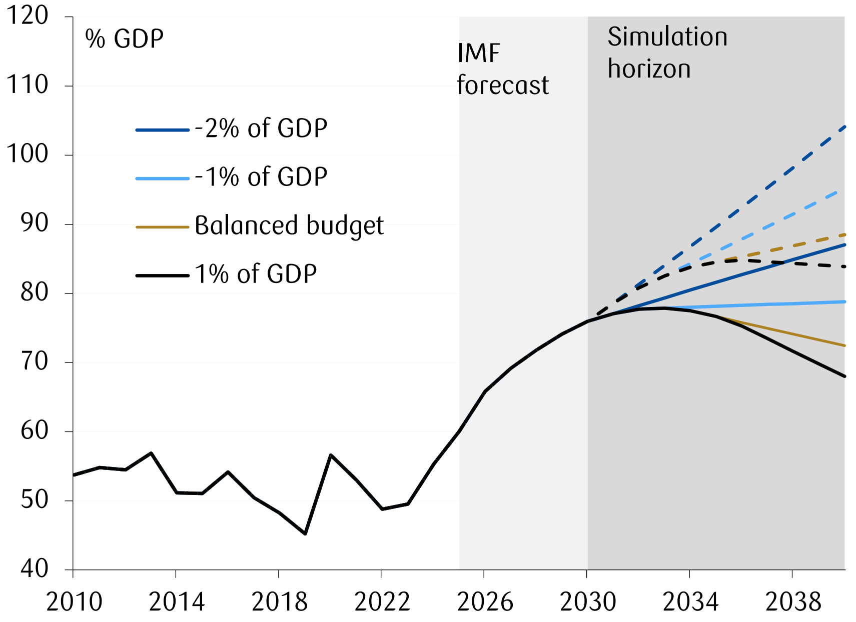
Main expenditure categories of the GG sector



- An analysis of the deficit points to limited changes on both the revenue and expenditure sides in 2026. **The improvement in revenues is driven mainly by strong economic growth**, while the proposed tax changes could generate additional revenues of up to 0.4% of GDP. However, due to presidential vetoes (concerning higher increases in excise duty rates and the sugar levy), this effect may prove even smaller.
- **On the expenditure side, we expect the ratio of public investment to GDP to increase,** while other expenditure categories are likely to remain stable or edge down slightly.

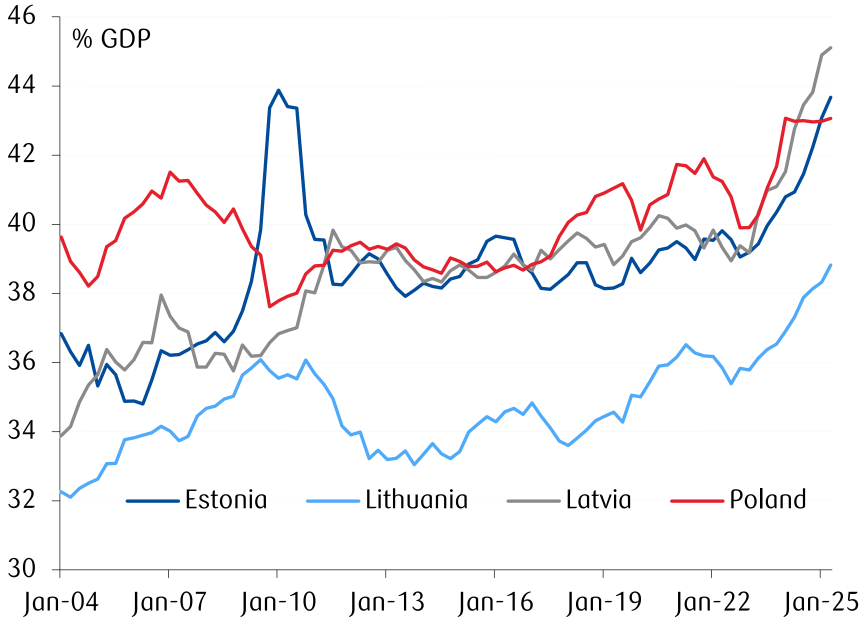
Time to consolidate

Public debt projections under alternative primary balance scenarios*



*Solid lines denote a favourable economic scenario (5% nominal GDP growth), while dashed lines represent an adverse scenario (3% nominal GDP growth).

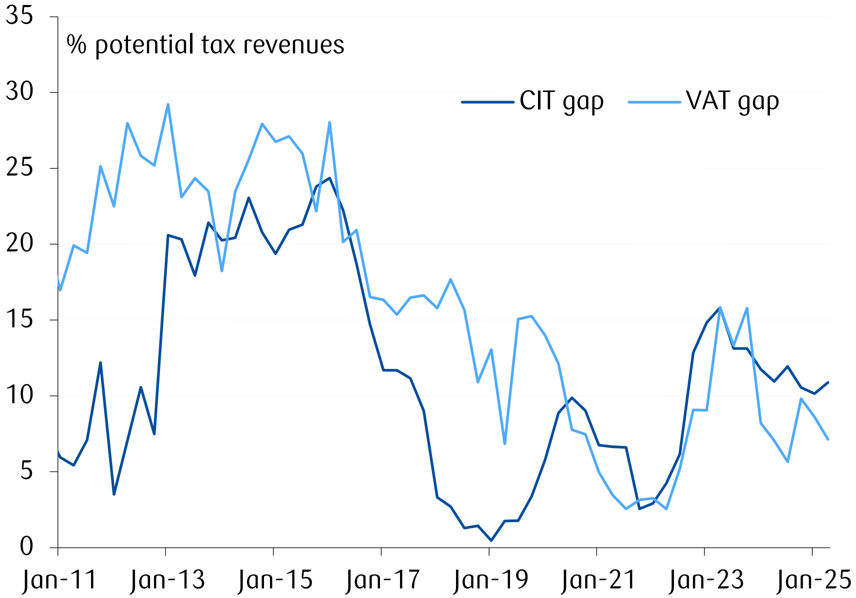
GG sector revenue in selected countries



- The simulation assessing the primary balance required to stabilise public debt as a share of GDP over the period 2031–2040 shows that, **regardless of the assumptions adopted, an improvement to a range of −1% to +1% of GDP is necessary**. This implies that, given the current deficit, **additional fiscal resources amounting to 3.5–5.5% of GDP would need to be secured**. However, merely halting the rise in public debt is insufficient; reducing the debt level is crucial to enhance resilience to future shocks.
- **Against the backdrop of rising geopolitical tensions, the Baltic states, which are increasing defence spending, have already implemented reforms aimed at improving their fiscal balances.** These measures are designed to curb the growth of public debt, thereby creating additional fiscal space should the risk of conflict escalation beyond Ukraine increase. Such an approach preserves budgetary flexibility in times of crisis while supporting overall macroeconomic stability.

What can be done on the revenue side?

Tax gaps



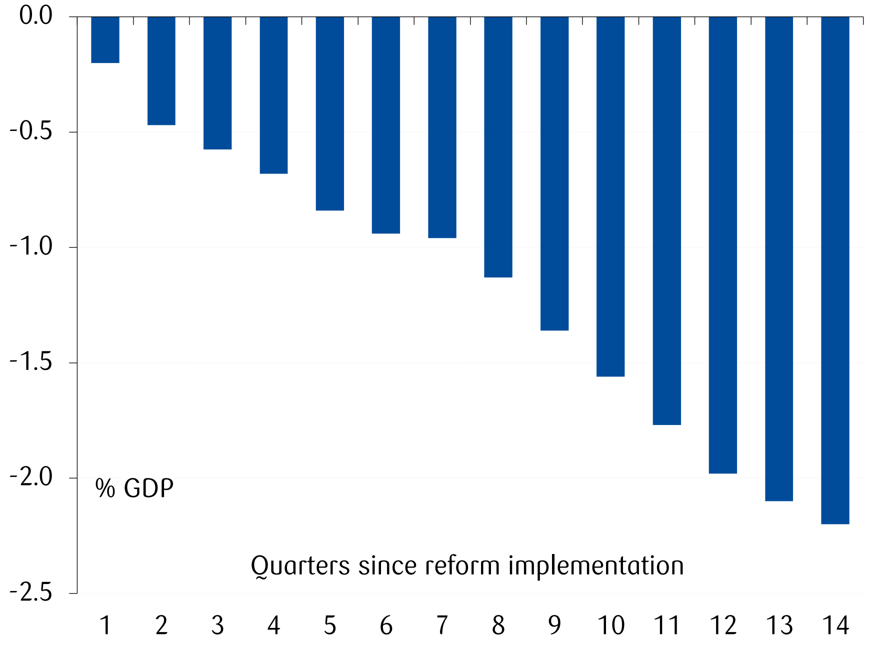
Effects of changes in key tax rates

Tax	GG Revenue (% GDP)	Change in Real GDP (%)	Change in CPI (%)	Impact Period
PIT	0.4	-0.3	0.0	in the first year
		-0.4	-0.3	after 4 years
VAT	0.6	-0.2	+0.3	in the first year
		-0.6	+1.0	after 4 years
CIT	0.2	-0.2	+0.1	in the first year
		-0.5	+0.3	after 4 years

- **The government is focusing on boosting revenues by reducing tax gaps.** In the case of VAT, reforms already implemented have narrowed the tax gap from around 25% to below 7% in 2024, translating into an increase in revenues of approximately 1% of GDP. In corporate income tax (CIT), where multinational corporations often avoid taxation by shifting profits abroad, the Ministry of Finance has introduced instruments such as JPK_CIT and the global minimum CIT. **However, the potential revenue gains from these measures are likely to be smaller than those achieved to date.**
- **The main source of public revenue remains the core taxes, and raising their rates may serve as a short-term tool to increase inflows.** Our estimates suggest that increases in effective tax rates would have a differentiated impact on the economy, depending on the type of tax. Beyond the measures outlined above, a range of other solutions exists that could strengthen the revenue side of the budget. **An optimal consolidation strategy should be based on a balanced mix of instruments, with priority given to groups and sectors that have so far been relatively lightly taxed.**

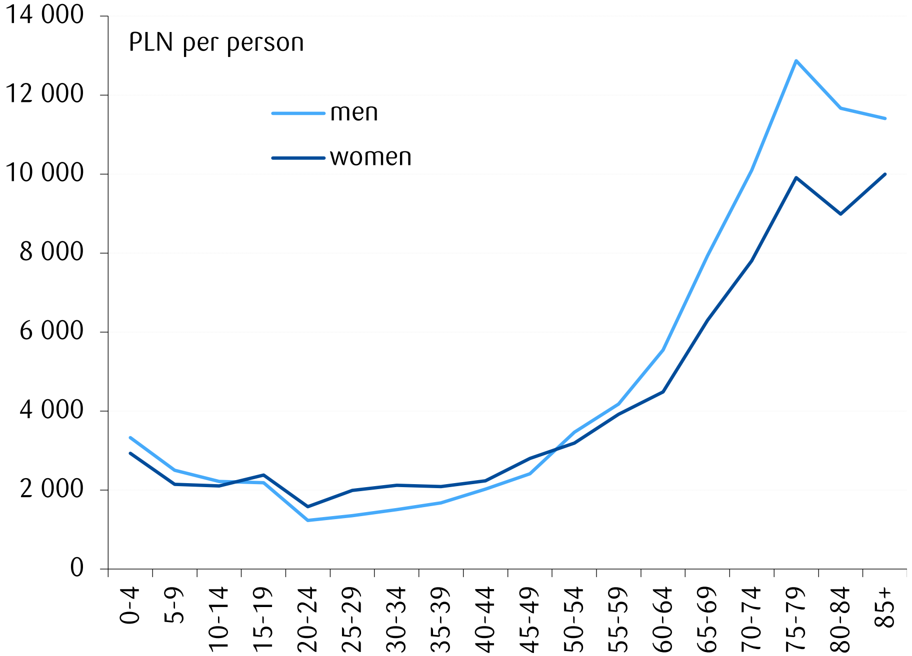
What can be done on the expenditure side?

Changes in GG spending resulting from the freezing of selected expenditures*



*No increase in the public sector wage bill, 3% y/y growth in social benefits.

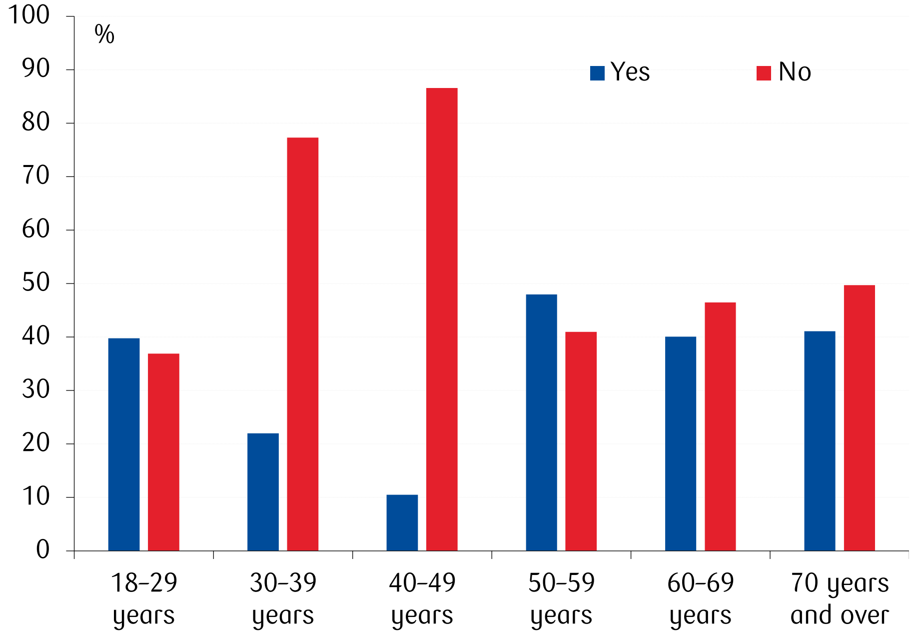
Cost of treating a patient for the National Health Fund by patient age in 2023



- **Fiscal consolidation can also be pursued on the expenditure side**. The most restrictive approach to curbing spending is to “freeze” parts of the budget, involving no indexation of wages in GG sector and only minimal indexation of social benefits (3% y/y). While this solution carries the risk of social tensions and a deterioration in the quality of public services, it delivers rapid fiscal effects. Simulations indicate an improvement in the GG balance of around 0.7% of GDP in the first year and up to 2.2% of GDP over the medium term.
- **Reforms need not focus solely on direct expenditure cuts, but can also aim to improve spending efficiency.** In the area of social benefits, support could be better targeted by limiting universal transfers in favour of assistance directed at the lowest-income groups. In healthcare, the emphasis is on enhancing the efficiency of spending through hospital consolidation, the development of long-term and outpatient care, strengthening the workforce, and greater focus on prevention, so that growing healthcare needs do not require disproportionately higher funding. This is particularly important in the context of an ageing population.

What is the will of the people?

Should a temporary defence tax be introduced?*



Which tax and spending changes are perceived as the most likely?

	Category	All Countries	Poland	Germany	Hungary	France	USA
Cuts in Spending	Education	53	51	54	52	47	62
	Pensions and Entitlements	52	48	51	36	49	56
	Social Programs	58	53	65	57	44	61
	Defense	38	50	26	31	50	43
Increase in Taxes	Middle-Income Households	74	70	75	71	73	71
	High-Income Households	62	76	62	48	56	62
	All Households	59	63	57	61	53	54
	Small Businesses	65	72	64	77	57	65
	Large Corporations	58	62	52	65	53	56
	Wealth / Income Tax	61	77	46	54	51	62
	Sales Tax	64	73	64	57	66	67

- Survey results reveal mixed public sentiment regarding higher tax burdens to finance defence spending. According to a poll commissioned by Rzeczpospolita*, **a majority of respondents oppose the introduction of a temporary defence tax**. An analysis by age group shows that the strongest opposition comes from people of working age, who are most likely concerned that any tax increases would primarily affect their labour income.
- At the same time, another survey**, which asked in more detail about preferred government policy directions, indicates that the **public tends to favour higher taxation of wealth and of the highest-income individuals – groups that have so far been relatively lightly taxed**. The findings also suggest that the government is more likely to opt for tax increases rather than cuts in public spending.

Yields on Polish government bonds are set to follow a downward trend

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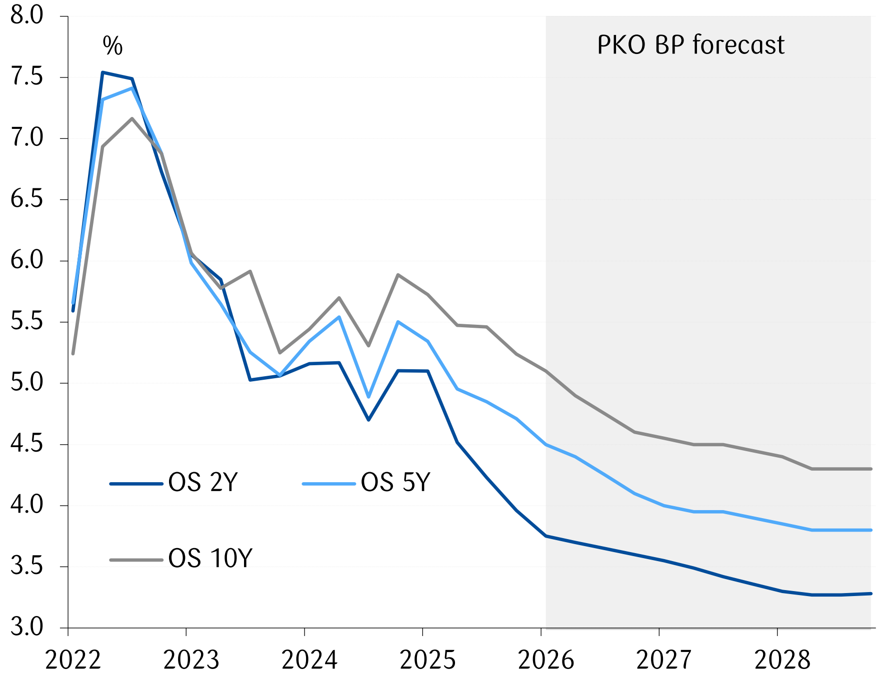
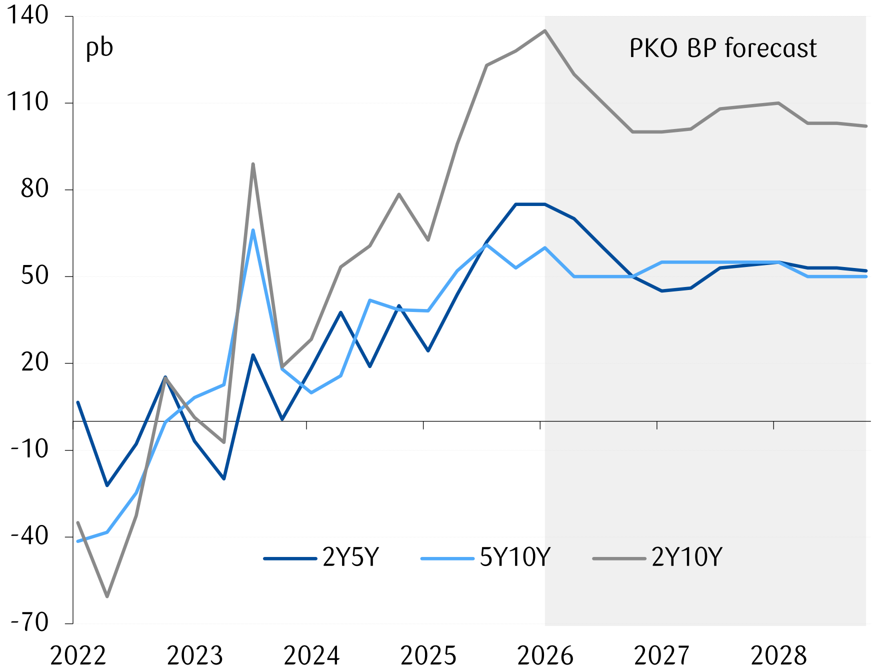
In 2026, 10-year Polish government bond yields should converge towards 4.6%



The 2Y–10Y spread has room to narrow towards around 100 bp



- **We forecast that in 2026 yields on 2-year Polish government bonds will decline to 3.6%, 5-year yields to 4.1%, and 10-year yields to 4.6%.** This implies a flattening of the yield curve. In our view, the 2Y–10Y spread will narrow towards around 100 basis points, while the asset swap spread in the 10-year sector will remain close to 100 basis points.
- Lower yields on Polish government bonds are supported by our expected cuts in NBP policy rates, domestic macroeconomic data confirming that inflation has stabilised close to the central bank's target, moderate wage pressure, solid demand for debt securities, and the anticipated decline in US Treasury yields. The pace of positive price movements will be constrained by high supply in the primary market, the risk of a downgrade of Poland's sovereign rating during the year, and a marked improvement in economic conditions.

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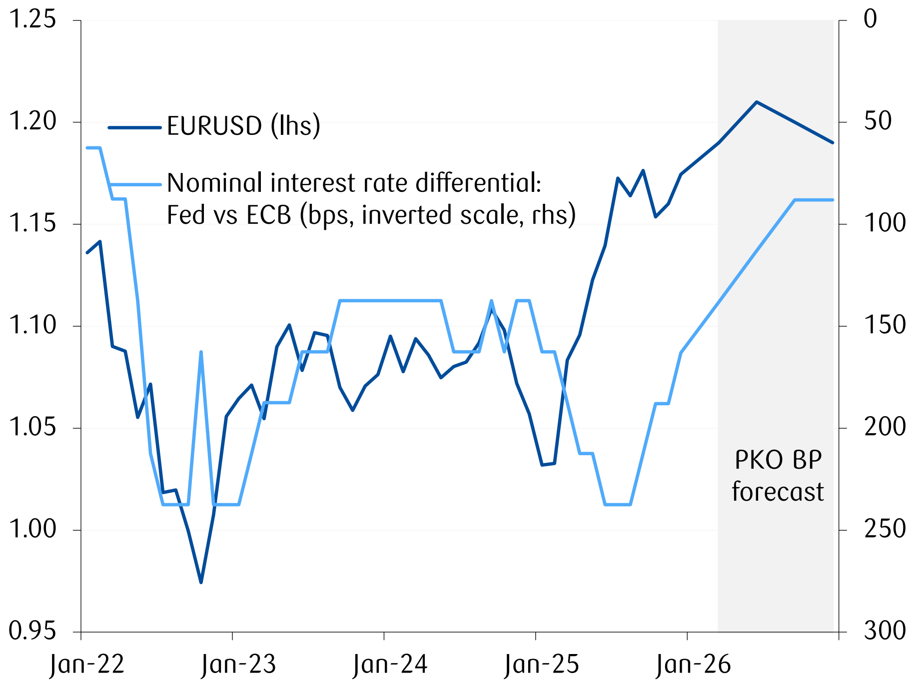
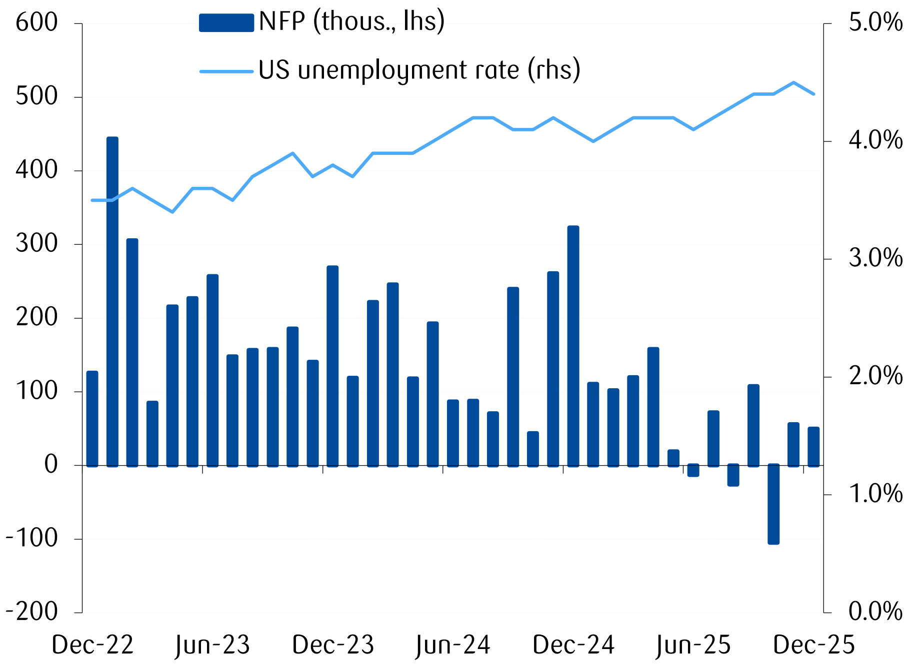
#13 Further weakening of the US dollar in the foreign exchange market

In 1h26, the EURUSD exchange rate will rise to 1.21

EURUSD vs the Fed–ECB interest rate differential



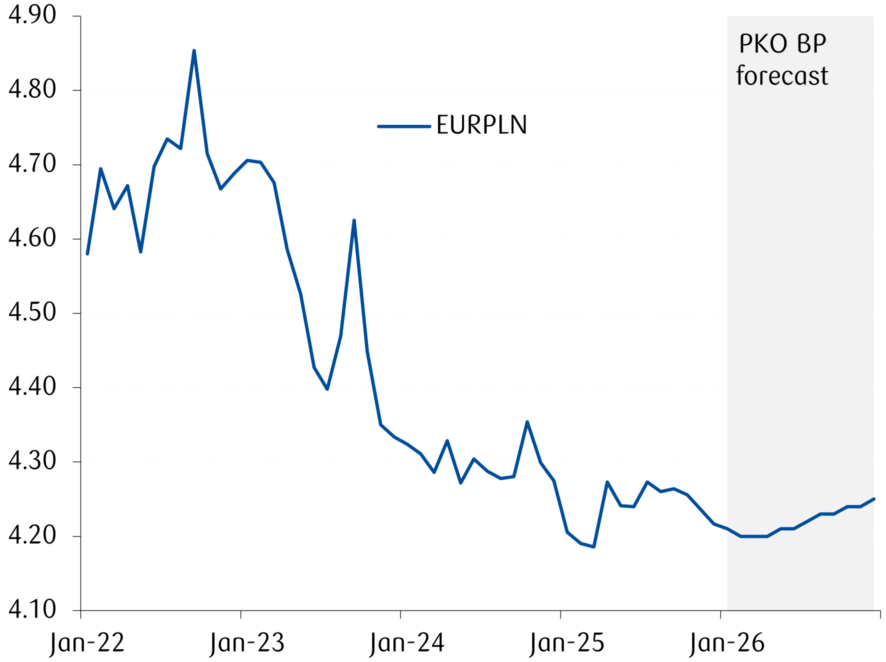
Condition of the US labour market



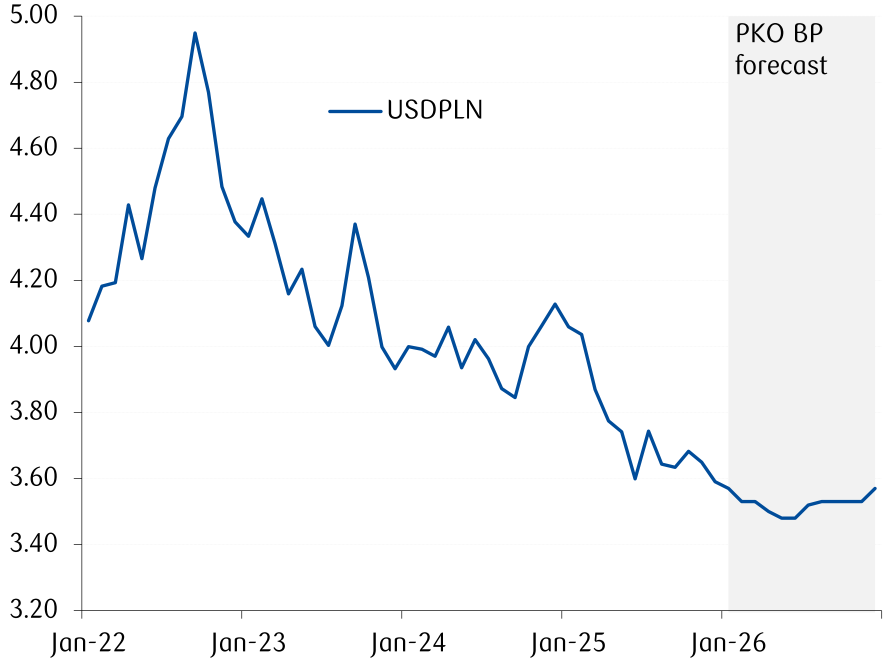
- **We assume that in the 1h26 the US dollar will weaken, which will translate into an increase in the EURUSD exchange rate to 1.21 in 2q26.**
- The main reason for the depreciation of the US currency will be rising market expectations of deeper interest rate cuts in the United States relative to current pricing, which – under our assumption of stable ECB rates – will reduce the interest rate differential between the US and the euro area. The basis for these expectations will be a deterioration in the condition of the US labour market. In addition, personnel changes in the FOMC in 1h26 may prompt the market to price in an even more dovish stance of the Committee.

The appreciation potential of the złoty will fade in mid-2026

EURPLN exchange rate forecast



USDPLN exchange rate forecast



- **We forecast the EURPLN exchange rate to decline to 4.20 and USDPLN to 3.48 in 1h26, followed by a gradual increase to 4.25 and 3.57 respectively by the end of 2026.**
- In 1h26, the strengthening of the złoty will be supported by solid fundamentals of the Polish economy, including an acceleration in GDP growth, as well as an external environment favourable to emerging market currencies, in particular a globally weaker US dollar. PLN appreciation will be constrained by the ongoing compression of the interest rate spread between Poland and core markets and the resulting decline in the attractiveness of PLN carry trade strategies.
- In the 2h26, we expect a gradual depreciation of the PLN due to a deterioration in the country's fiscal position and global investor sentiment, alongside an appreciation of the USD.

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Macroeconomic and market forecasts

Macroeconomic forecasts

	2020	2021	2022	2023	2024	2025	2026F
Real economy							
Real GDP (%, y/y)	-2.0	6.9	5.3	0.2	3.0	3.5	3.7
Domestic demand (%, y/y)	-2.8	8.6	4.8	-3.0	4.5	4.1	4.5
Domestic final sales (pp)	-1.5	4.7	3.3	2.2	3.2	3.8	4.6
Investments (%, y/y)	-3.0	1.5	1.7	12.7	-0.9	5.9	12.0
Private consumption (%, y/y)	-3.4	6.2	5.0	-0.3	2.9	3.5	3.4
Inventories (pp)	-1.1	3.4	1.4	-4.6	1.0	0.1	-0.3
Net exports (pp)	0.6	-1.2	0.6	2.6	-1.2	-0.4	-0.7
Exports (%, r/r)	-1.1	12.3	7.4	3.7	2.0	4.0	4.2
Imports (%, r/r)	-2.5	16.3	6.8	-1.5	4.5	5.2	5.8
Labour market							
Employment (%, y/y, period avg.)	-1.2	0.5	2.4	0.3	-0.4	-0.8	0.1
Unemp. rate (%, eop)	6.8	5.8	5.2	5.1	5.1	5.7	5.7
Wages (%, y/y, period avg.)	4.8	8.8	12.9	11.9	11.2	7.9	6.3
Prices							
CPI inflation (%)	3.4	5.1	14.4	11.4	3.6	3.6	2.1
Core inflation (%)	3.9	4.1	9.1	10.1	4.3	3.3	2.3
Monetary policy							
NBP reference rate (%)	0.10	1.75	6.75	5.75	5.75	4.00	3.50
NBP lombard rate (%)	0.50	2.25	7.25	6.25	6.25	4.50	4.00
Balance of payments							
Current account (% of GDP)	2.4	-1.3	-2.2	1.6	0.3	-0.9	-1.6
Merchandise trade (% of GDP)	1.3	-1.3	-3.3	0.6	-0.7	-1.5	-1.7
Fiscal policy							
Public deficit (ESA2010, % of GDP)	-6.9	-1.7	-3.4	-5.2	-6.5	-6.9	-6.5
Public debt (ESA2010, % of GDP)	56.6	53.0	48.8	49.5	55.1	59.6	66.3
Monetary aggregates (fx adj.)							
Deposits (%, y/y)	13.2	10.8	5.4	10.6	9.8	8.0	5.8
Loans (%, y/y)	-0.8	4.8	0.9	1.2	5.3	5.4	6.9

FX forecats

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	1q25	2q25	3q25	2025	1q26	2q26	3q26	2026
Exchange rates								
EURUSD	1.08	1.17	1.17	1.18	1.19	1.21	1.20	1.19
EURPLN	4.18	4.24	4.27	4.23	4.20	4.21	4.23	4.25
USDPLN	3.86	3.62	3.63	3.60	3.53	3.48	3.53	3.57
CHFPLN	4.39	4.53	4.56	4.54	4.47	4.43	4.41	4.38
EURCHF	0.96	0.93	0.93	0.93	0.94	0.95	0.96	0.97
GBPPLN	5.00	4.95	4.88	4.84	4.80	4.77	4.76	4.79

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